



**COMMUNITY-BASED CO-OPERATIVES
IN INANDA, NTUZUMA AND KWAMASHU (INK) COMMUNITY
(eThekweni Municipality) AS AN ALTERNATIVE FORM OF
ECONOMIC DEVELOPMENT: LESSONS FROM THE KENYAN CO-
OPERATIVES MODELS.**

By

Eleazar Bandyambona

Submitted in partial fulfilment of the requirements for the Degree of Master

of Community Development in the School of Built Environment

and Development Studies

at the University of KwaZulu Natal

2013

Declaration

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged through referencing in the text. It is being submitted for the degree of Masters in Community Development in the Faculty of Humanities, Built Environment and Development Studies, University of KwaZulu-Natal, Howard College Campus, Durban, South Africa. This dissertation is the author's original work and has not been submitted in any other form at another University.

Student full name.....

Student signature.....

Date.....

.....

Supervised by Professor. T. Xaba

Abstract

Enabling a community with the community based co-operatives for poverty alleviation is a need which has to be given urgent attention. This study examines how community based co-operatives can be an alternative form of economic development in the Inanda, Ntuzuma and KwaMashu area.

The objectives of the study were: to investigate the impact of Agricultural and Multipurpose Secondary Co-operatives within the INK (Inanda, Ntuzuma and KwaMashu) area of the eThekweni Municipality, which is situated within the province of KwaZulu-Natal, and to draw lessons from the Kenyan co-operative models so as to improve the function of co-operatives within the INK area. A qualitative and quantitative method was used to garner rich information of on how co-operatives operate in INK area and in Kenya give credibility to the sustainable livelihood approach. In this study, the meaning of community development was developed for the understanding of the community's socio-economic life improvement promotion.

The study find that despite the important role played by co-operatives worldwide, agricultural co-operatives are experiencing challenges among others lack of access to the land by co-operatives members, lack of access to market, lack of access to finance, lack of knowledge about co-operatives, lack of business skills and lack of infrastructural facilities. Due to these challenges facing co-operatives, the government recommended the eThekweni Municipality and the KwaZulu Natal Provincial Department of Agriculture for funding and other necessities support to ensure that co-operative development is sustainable in INK.

The findings of this study suggest that while the INK Agricultural and Multipurpose Secondary Co-operatives have been there for some time but very little has been done hence the unification of the five associations from the District Farmer's Association in the eThekweni Municipality as a strategy to improve their households' socio-economic situation. Evidence from the Kenyan agricultural co-operatives can be replicated in other developing countries such as South Africa to eradicate failures in the co-operative sector and ensure that they flourish and succeed.

Acknowledgements

There are a number of people to whom I am greatly indebted without whom this thesis might not have been written.

To my father-in-law, Jack Kearney, who has been supporting me socially and financially since my first year at the University of KwaZulu-Natal from 2004 up until now, who has been a source of encouragement and inspiration to me throughout my academic life. A very special thank you for providing 'English language lessons' after failing my first academic semester due to the language barrier, and also for the myriad of ways in which, throughout my academic journey, you have actively supported me in my determination to find and realize my potential, and to make this contribution to our world.

A special thanks to my partner's aunty, Kay Gulway, for her contribution towards accommodation and transport for seven years.

To my supervisor, Professor. T. Xaba, for his encouragement and counsel. Professor Xaba's prompt and sound input during this research has been greatly appreciated.

To my mum, Collette Nzaniye, who always complain about the lack of financial support due to my studies, my two daughters Niyonkuru Ange and Kabeza Lovely Grace Kearney, and not forgetting my step-daughter Khethiwe Kearney Mkhize, who has been a respectable and challenging girl. Thanks to my entire family and my friends for their support during the entire research process.

Thanks too to the University of KwaZulu-Natal for the financial and educational support given to me for the entire period of my studies.

Finally I would like to express my gratitude to INK/ABM and Kenyan Co-operative Association's individuals interviewed who gave me their time and facilitated further interviews.

Acronyms and Abbreviations

| | |
|--------|---|
| ABM | Area Based Management |
| ACDI | Agricultural Co-operative Development International |
| AGOA | African Growth and Opportunity Act |
| AIDS | Acquired Immune Deficiency Syndrome |
| CBA | Collective Bargaining Agreement |
| CBD | Central Business District |
| CD | Community Development |
| CIC | Co-operative Insurance Company |
| CIPC | Companies and Intellectual Property Commission |
| COSATU | Congress of South African Trade Unions |
| DED | German Development Service |
| DPLD | Department of Provincial and Local Development |
| DPLG | Department of Provincial and Local Government |
| DTI | Department for Trade and Industry |
| FAO | Food and Agriculture Organization |
| FDI | Foreign Direct Investment |
| FET | Further Education and Training |
| GDP | Gross Domestic Product |
| GTZ | German Technical Co-operation |
| HIV | Human Immunodeficiency Virus |
| HSS | Hanns-Seidel-Stiftung |

| | |
|---------|---|
| ICA | International Co-operative Alliance |
| ICMIF | International Co-operative and Mutual Insurance Federation |
| IDP | Integrated Development Plans |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organisation |
| INK | Inanda, Ntuzuma and KwaMashu |
| KACE | Kenya Agricultural Commodity Exchange |
| KERUSSU | Kenya Rural Savings and Credit Societies Union |
| KNFC | Kenya National Federation of Co-operatives |
| KPCU | Kenya Planters Co-operative Union |
| KUSCCO | Kenya Union of Saving and Credit Co-operatives |
| KZN | KwaZulu-Natal |
| MUCCOBS | Moshi University College of Co-operative and Business Studies |
| NACHU | National Co-operative Housing Union |
| NACO | National Co-operative Organisations |
| NDA | National Department of Agriculture |
| OCDC | Overseas Co-operative Development Council |
| ODI | Overseas Development Institute |
| SACCOs | Savings and Credit Co-operatives |
| SACP | South African Communist Party |
| SLA | Sustainable livelihood approaches |
| SANDA | South African National Department of Agriculture |
| SCC | Swedish Co-operative Centre |

| | |
|--------|--|
| Sida | Swedish International Development Agency |
| SL | Sustainable Livelihood |
| TGSL | Turfloop Graduate School of leadership |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| UNRISD | United Nations Research Institute for Social Development |
| URP | Urban Renewal Programme |
| US\$ | United States Dollars |
| USAID | United States Agency for Development |
| VOCA | Volunteers in Overseas Co-operative Assistance |
| WFP | World Food Programme |

Dedication

This Master's thesis is lovingly dedicated to my partner Sarah Lucy Kearney who has been my constant source of inspiration. She gives me the drive and discipline to tackle any task with enthusiasm and determination. Without her love and moral support this thesis would not have been possible.

Table of contents

| | |
|---|------|
| Declaration | ii |
| Abstract | iii |
| Acknowledgements | iv |
| Acronyms and Abbreviations | v |
| Dedication | viii |
| Table of contents | ix |
| Tables and figures | xii |
| CHAPTER ONE | 1 |
| INTRODUCTION | 1 |
| 1.1. Introduction..... | 1 |
| 1.2. Inanda, Ntuzuma and KwaMashu (INK) Area Based Management (ABM)/Urban Renewal Programme (URP) | 3 |
| 1.2.1. Introduction - Historical background of INK/ABM/URP..... | 3 |
| 1.2.2. Economic growth in INK..... | 4 |
| 1.2.3. Patterns of development and Challenges in INK | 7 |
| 1.2.4. Types of co-operatives in INK and their situation | 9 |
| 1.2.5 Case study: INK Agricultural and Multipurpose Secondary Co-operatives | 10 |
| 1.3 Motivation for the study..... | 10 |
| 1.4. Research objectives..... | 11 |
| 1.5. Research questions..... | 11 |
| 1.6. Structure of the dissertation | 12 |
| 1.7. Conclusion | 12 |
| CHAPTER TWO | 13 |
| LITERATURE REVIEW | 13 |
| 2.1. Introduction..... | 13 |
| 2.2. Characteristics of co-operatives | 14 |
| 2.2.1. During pre-Colonial times | 14 |
| 2.2.2 Colonial period..... | 15 |
| 2.2.3. After independence (the era of “co-operative”) | 15 |
| 2.2.4. Structural adjustment | 16 |
| 2.2.5. Co-operatives in Africa today | 16 |

| | |
|--|----|
| 2.3. Objectives of co-operatives..... | 19 |
| 2.4. Co-operative challenges as a tool of development..... | 22 |
| 2.5. Co-operatives as a way of alleviating poverty in a rural community..... | 24 |
| 2.6. The impact of co-operatives for development in rural areas..... | 29 |
| 2.7. Kenyan case study..... | 30 |
| 2.7.1. Introduction..... | 30 |
| 2.7.2. The history of co-operatives in Kenya..... | 31 |
| 2.7.3. Successful key areas in the Kenyan Co-operative Movement | 34 |
| 2.8. Conclusion | 37 |
| CHAPTER THREE | 39 |
| RESEARCH METHODS | 39 |
| 3.1. Introduction..... | 39 |
| 3.2. Theoretical framework..... | 39 |
| 3.2.1. Introduction..... | 39 |
| 3.2.2. Community development (CD)..... | 40 |
| 3.2.3. Sustainable community development | 41 |
| 3.3. Development theories | 43 |
| 3.3.1. Modernization theories (1950s, early 1960s)..... | 43 |
| 3.3.2. Dependency theories (late 1960s, early 1970s)..... | 43 |
| 3.3.3. World economy view (late 1970s, early 1980s)..... | 43 |
| 3.3.4. Basic needs approach (late 1970s) | 44 |
| 3.3.5. Alternative modes of production perspective (1980s) | 44 |
| 3.3.6. Sustainable livelihood approach | 44 |
| 3.4. Sustainable livelihood approach (SLA) | 44 |
| 3.4.1. Sustainable livelihoods approach to poverty alleviation..... | 47 |
| 3.5. Method design..... | 51 |
| 3.6. Project area..... | 52 |
| 3.7. Study sample..... | 52 |
| 3.8. Data collection | 54 |
| 3.9. Data analysis | 55 |
| 3.10. Conclusion | 55 |
| CHAPTER FOUR..... | 56 |
| RESEARCH FINDINGS | 56 |
| 4.1. Introduction..... | 56 |

| | |
|---|-----|
| 4.2. Case studies..... | 56 |
| 4.3. African experiences | 58 |
| 4.3.1. Kenyan experiences | 60 |
| 4.3. 2.The South African case study | 68 |
| 4.4. Co-operatives in INK/ABM..... | 78 |
| 4.4.1. INK Agricultural and Multipurpose Secondary Co-operatives..... | 82 |
| 4.5. Lessons from the case studies | 82 |
| 4.6. Conclusion | 83 |
| CHAPTER FIVE | 86 |
| CONCLUSION..... | 86 |
| 5.1. Introduction..... | 86 |
| 5.2. Recommendations..... | 86 |
| 5.2.1. Recommendations for state departments | 86 |
| 5.2.2. Recommendations for the co-operatives..... | 87 |
| 5.3 Accomplishments of research objectives | 87 |
| 5.4. Conclusion | 89 |
| REFERENCES | 90 |
| APPENDICES | 102 |

Tables and figures

Tables

Table 1. Study sample

Table 2. Membership of co-operative societies by typed of society, 2004-2010

Table 3. Number of societies and unions by type 2004-2010

Table 4. Total turnover of societies and unions, 1998-2004

Figures

Figure 1. Occupation (employed population aged between 15 and 65)

Figure 2. INK employment by major industry (employed population aged between 15 and 65)

Figure 3. Large segments of the population are members of cooperatives.

Figure 4. The DFI sustainable livelihoods framework

Figure 5. Trends in coop registrations and deregistrations

Figure 6. Provincial breakdown of SA cooperatives

Figure 7. 2012 cooperatives conference in Limpopo

Figure 8. Sector spread of registered cooperatives

Figure 9. Overall provincial picture of registered cooperatives

Figure 10. Map of INK

Figure 11&12. Agricultural products from the District Farmer's Association

Figure 13. Elected management committee for the District Farmer's Association

Figure 14. District Farmer's association member presents their products to the delegate from KZN Department of Agriculture.

Figure 15. Delegate from KZN Department of Agriculture appreciate the work done by the District Farmer's Association.

CHAPTER ONE

INTRODUCTION

1.1. Introduction

Co-operatives have a long international history and reputation, with untold success stories and failures which have always elicited mixed reactions. Kanyane (2009) argues that there is the need for research into whether or not the co-operative model really offers the best socio-economic development intervention strategy in combating the scourge of unemployment and poverty in South Africa.

This study seeks to find out if South Africa's co-operative movement has managed to improve the socio-economic status of local communities, as has been encouraged by the Department of Agriculture, which argued that the success of South Africa's rural communities can be attributed to the decisive role played by co-operatives. Above all else, the country's agriculture has been lifted from subsistence farming to thriving commercial farming (South Africa National Department of Agriculture, 2000).

This study focuses on farmers' co-operatives in Inanda, Ntuzuma and KwaMashu in eThekweni Municipality, KwaZulu-Natal Province, South Africa, and draws lessons from the Kenyan co-operatives. The South African National Department of Agriculture (2000: 8) states that the co-operative movement in South Africa started in earnest in 1902, just after the end of the Anglo-Boer War. Agriculture in the former Boer republics of the Orange Free State and Transvaal came to a complete standstill during the Anglo-Boer War. In the Transvaal, the Cape Province, the Orange Free State and Natal, government-backed attempts were made to start co-operatives. However, due to the isolated position of their farms, many farmers were sceptical and did not really trust this new development. For this reason none of the co-operatives could count on the support of all their members. The first decades of the co-operative movement in South Africa were slow and often fraught with danger. Lately, however, a decisive role has been played by co-operatives, leading to the establishment of a successful farming community in South Africa. A report from the South African National Department of Agriculture (SANDA: 2009) reveals that, when compared with all others

means of development, co-operatives have lifted South African agriculture from subsistence farming to a flourishing commercial farming industry.

According to a Co-operative Development Policy for South Africa (Draft: 2003), a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This definition is drawn from the International Co-operative Alliance (ICA). A co-operative is a private business organisation that is owned and controlled by the people who use its products, supplies or services. Although co-operatives vary in type and membership size, all are formed to meet the specific objectives of members, and are structured to adapt to members' changing needs. Co-operatives are formed by individuals who coordinate among themselves (horizontal coordination) to achieve vertical integration in their business activities (www.cooperative.org).

Ahwireng-Obeng (2004) argues that the history of co-operatives in most developing countries, and particularly in Africa, is generally viewed as a story of failure. Ahwireng-Obeng, (2004: 3) states that co-operatives have suffered from a lack of grassroots and government support. He also indicates that co-operatives in Africa continue to enjoy the support of institutions from which access to the essential services needed for both household and economic activities can be sought. However, despite the unimpressive record of achievement in the rural sector, there is still the realisation that the application of co-operatives provides potential ways of improving people's standards of living. Co-operatives are seen by their members as being the best alternative for tackling a severe and worsening urban and rural unemployment problem. The unemployment problem is characterised by the following features: labour market imbalances (which are basically due to the relative inability of the formal sector to absorb the rapidly increasing numbers of labour force entrants); widespread unemployment (which is distinguished by the limited utilisation of productive potential, the available technology and human resources); and poor service delivery (which is attributed to inadequate technical, managerial and organisational skills).

According to Attwood and Baviskar (1988), co-operatives have, since the 1960s, been established with great enthusiasm in most developing countries. Expectations with regard to their performance have been high, and in many cases those involved have been disappointed at the actual results however much bitterness has ensued.

The study draws lessons from successful international co-operatives, particularly those in the United Kingdom, the United States of America, Germany and Spain. For the purpose of this study, Botswana, Kenya and Uganda, for example, have case studies from which South Africa could learn how to run successful co-operatives. Kenya has, for example, a Co-operative College that was established so as to enhance and sustain the skills of co-operatives' members, all of whom share a common socio-economic interest.

1.2. Inanda, Ntuzuma and KwaMashu (INK) Area Based Management (ABM)/Urban Renewal Programme (URP)

1.2.1. Introduction - Historical background of INK/ABM/URP

Inanda, Ntuzuma and KwaMashu are combined into a single area, referred to as INK. The areas are adjacent to one another and the physical boundaries between them are blurred. INK is situated about 20km north of Durban and is a mix of residential townships and informal settlements. They accommodate about 20% of eThekweni Municipality's population (approximately 500 000). The identification of INK as a Urban Renewal Node of the Urban Renewal Programme by President Thabo Mbeki in 2001, and its inclusion as one of five pilot Area Based Management learning areas derive from its status as one of the largest agglomerations of low-income households in South Africa. Ninety-five per cent of the population speak isiZulu as a first language, 70% are under the age of 35 years old, 73% of households are unemployed and 77% of households earn less than R9 600 per annum, 12% have no schooling, 7% have completed primary school, 26% have matric or high school, only 4% have tertiary qualification and 43% do not have formal houses. The population density of the area is 6,325 people/ha, with high levels of crime, lack of public space and recreational opportunities and low levels of access to public services (McIntosh Xaba and Associates, 2007).

Despite the differences between the individual areas, the three nodes share a common set of challenges. As residential areas with low levels of internal economic activities, their economic growth is strongly related to the external area, mainly Durban. For that reason, the researcher discusses their individual challenges:

Inanda: It is the oldest of the three settlements which was established in 1800s as a reserve for African people. The Indian population did reside in the area until 1936 when it was labelled a released area for Africans only. The area comprises predominantly informal

settlements and has a significant formal housing accumulation (Department of Provincial and Local Government and Business Trust, 2007).

KwaMashu: This area was established by the City of Durban in the late 1950s, in order to accommodate African individuals who had been removed from other locales within the city, notably Cato Manor. In the mid-1980s, the area experienced high levels of political mobilisation and criminal activity. The area comprises predominantly formal housing. It is viewed as the node's economic hub because of its close proximity to Durban and its major transportation corridors (Department of Provincial and Local Government and Business Trust, 2007).

Ntuzuma: This Township was built in the 1970s as a planned African township. Political tension and violence were high in the 1980s, sparked by issues surrounding service levels and tenure arrangements. Ntuzuma is largely a residential area, comprising mainly formal housing (Department of Provincial and Local Government and Business Trust, 2007).

The INK Area Based Management/URP is intended to co-ordinate, facilitate and align development delivery as rapidly as possible. Key to this mission is the need to turn around residents' perceptions of delivery so that they become key agents in the process to deliver a better quality of life. The INK ABM/URP has also brought to the fore the issue of co-operative governance, integration and alignment in an effort to avoid duplication and enhance synergies. The INK ABM has identified the need to enhance human capacity and improved conditions through an intensive consultative process inclusive of stakeholders, including over 400 community based organisations (Department of Provincial and Local Government and Business Trust, 2007).

1.2.2. Economic growth in INK

1.2.2.1. The Economy growth of Inanda, Ntuzuma and KwaMashu

According to the South Africa Department of Provincial and Local Development (2009), the INK economy can be conceptualised in three spheres: welfare provision, the focus of employment on the external economy and limited internal economic activity.

Welfare is the high prevalence of unemployment (40% of the 25 to 65-year-olds and 59% of the total economically active population), which has resulted in a high dependency on social grants. Externally, INK is essentially a residential area within the broader municipality, and the vast majority of residents who are employed work outside the node. Its growth and

employment prospects are closely intertwined with the Durban metro, which itself is experiencing jobless growth. Internally, a limited mix of informal and formal economic activity occurs within the node (predominantly retail/small business) (Department of Provincial and Local Development, 2009). The recent redevelopment of the KwaMashu Town Centre has increased the presence of, and future prospects for, economic activity within the node.

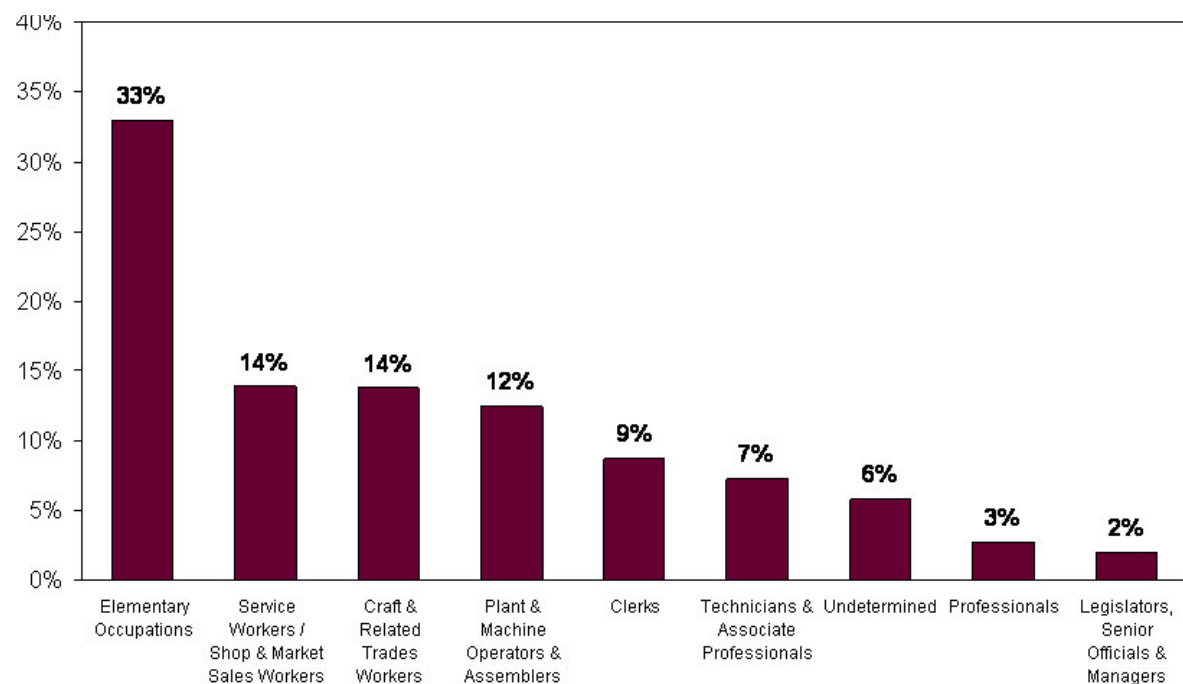
1.2.2.1.1 INK's GDP

Real GDP growth in INK is significantly lower (1.1%) than the growth experienced by eThekweni (3.4%). In comparison with the real GDP growth in KwaZulu-Natal, which has grown to 3.7% (2000-2004), INK's growth was rated at only 1.3%. The GDP per capita figures are also far lower in INK than in eThekweni. Both are experiencing jobless growth: INK's employment growth between 2000 and 2004 was recorded at only 0.62% – not far behind eThekweni's 0.92% for the same period. However, INK's GDP per capita was the equivalent of only 17% of eThekweni's in the same period (Department of Provincial and Local Development, 2009).

1.2.2.1.2 Employment by occupation

The Department of Provincial and Local Development (2009) states that the largest percentage of people employed fall into the elementary occupation category. Elementary occupations include domestic workers, street traders, office cleaners, security guards, waiters, etc. A further 28% of those employed work within service industries (14%) as shop assistants or sales personnel and within crafting and related trades (14%). Over 95% of INK's employed population travel beyond INK's borders to their place of work. Of the 82 082 employed individuals, only 4 546 are employed within INK.

Figure 1: Occupation (employed population aged between 15 and 65)



Source: Department of Provincial and Local Development, 2009

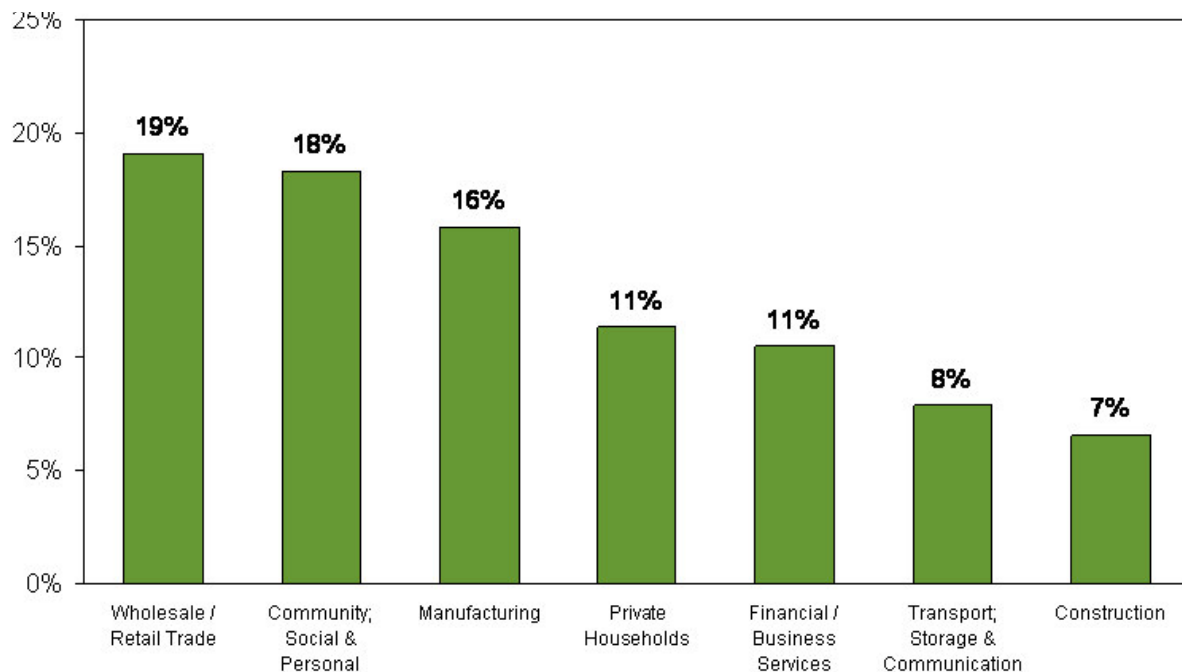
The KwaMashu Town Centre serves as the main transport hub for the INK areas. A high quality network of roads and highways in combination with a large minibus taxi industry connects INK to the Durban CBD and other employment areas along the North Coast (notably Springfield, Umhlanga and La Lucia). Interestingly, INK residents claim that it is easier to travel outside INK and back than within the INK area itself. Transport costs account for 11% of household expenditure per month (Department of Provincial and Local development, 2009).

1.2.2.1.3 Employment by sector

Retail trade, social services (e.g. education) and manufacturing stand out as the major sectors of employment for INK residents. The northern suburbs, which are among the fastest growing in Durban, provide employment opportunities in construction, retail and domestic services, and security. Gateway Mall, a major shopping complex in Umhlanga, is also a generator of employment opportunities.

Within Durban's CBD, key employment opportunities are aligned with the manufacturing sector – mainly textiles, chemicals, metal products and food products, as well as transport (Durban is Africa's largest sea port), security, domestic or commercial cleaning services, and retail services (Department of Provincial and Local Development, 2009).

Figure 2: INK employment by major industry (employment population aged 15-65):



Source: Department of Provincial and Local Development, 2009

The INK node is both a presidential poverty node within the Urban Renewal Programme (URP) as well as one of the five Areas Based Management (ABM) learning areas within the eThekweni Municipality (Department of Provincial and Local Development, 2009). Despite the differences between the individual areas, the three nodes share a common set of challenges. As residential areas with low levels of internal economic activity, their growth prospects are strongly linked to external areas (chiefly Durban).

1.2.3. Patterns of development and Challenges in INK

According to the Department of Provincial and Local Government (2009), in addition to several other projects which are currently underway or finished for the INK areas, the following five are the anchor projects for development.

1.2.3.1. KwaMashu Town Centre

Physical infrastructure projects, business development and support projects, safety and security programmes which include the building of a new police station, all designed to establish the town as a major economic centre for the area.

1.2.3.2. Inanda Heritage Trail

The development of several sites of historical interest in the Inanda area will help to promote tourism. It will include upgrading sites, building access roads and educating tour operators.

1.2.3.3 Safer Cities Programme

It will focus on providing safety in schools, increase police visibility in the area and mobilising the community against crime.

1.2.3.4 P577 Road

The road is a 14.1km dual carriageway and it incorporates a new road which links over the Umgeni River. In INK area, it involves the 5km building of road between Duff's Road and Inanda Road.

1.2.3.5 Bridge City

Bridge City is a joint venture between the city and private development, Mooreland Properties, and is 60 hectares of commercial land which has become the major economic centre for the area even if there is no local community which trades in the centre. The construction of a 450-bed hospital will be included as well as the establishment of new transportation facilities.

According to the Department of Provincial and Local Government and Business Trust (DPLG) (2007), interviews across INK stakeholder groups have identified a list of seven main challenges that the INK areas were facing.

1.2.3.6 Infrastructure and services backlogs

Though main roads between KwaMashu and Durban are well developed, roads within INK remain unpaved or in disrepair, while water and electricity are still not available to large sections of the population. This is a hazard for the community's health.

1.2.3.7 Inadequate housing

Complicated by land tenure issues, adequate housing provision remains a major challenge for INK, and there are several crowded informal settlements with extremely poor living conditions.

1.2.3.8 Crime and security

Anecdotally, crime has improved significantly with the redevelopment of the KwaMashu Town Centre; however, the area still has high levels of crime.

1.2.3.9. HIV/AIDS

In a country with one of the highest rates of HIV infection in the world, KZN is the most infected province, and INK is one of the most infected areas within the province. In 2005, INK had 26 clinics and one hospital but plans were in place to build two new hospitals where each would be furnished with 450 beds and will be the first 24-hour facilities in the area. For

this reason, the eThekweni municipality has launched a project to support and grow the local home-based care industry.

1.2.3.10. Low skill levels

INK has limited capacity for self-initiated change, due to poor education levels and poor skills development (from trade skills to business skills).

Currently, INK has no tertiary education facilities, there is limited English instruction which limits opportunities for employment in the eThekweni's knowledge economy with the pass rates and university exemption rates very low.

1.2.3.11. Limited internal economic activity

Economic activity that would allow for large-scale employment generation is non-existent in INK, while the majority of consumer spending leaks out of the INK areas.

1.2.3.12. High unemployment and low income

Finally, as a result, and a cause, of the challenges listed above, INK faces pervasive unemployment and widespread poverty.

According to State SA Census 2001, three-quarters of INK households earn less than the household subsistence income of R19, 200 per annum, or R1, 600 per month. Approximately 70% of household incomes are derived from formal wages, with the remainder coming from pensions or grants (14%) and informal economic activity.

1.2.4. Types of co-operatives in INK and their situation

According to INK 2011 data base, 91 co-operatives are registered and are ranged from agricultural, services, worker, social, mining, financial, marketing and supply, housing, consumer and burial society.

Agricultural, services and worker co-operatives are developed in agricultural co-operatives, which are small vegetable-growing co-operatives operating in INK, as well as a small start-up dairy farm. However, there is little significant growth that can be achieved due to a shortage of land and lack of support from government.

Services co-operatives, cleaning, security and real estate are in operation but with few activities due to the lack of a market which is a major challenge in this sector.

Workers' co-operatives include textile, block making, bakers, art and craft and any manufacturing component. The majority of the employed INK residents work in the

manufacturing industry nearby including the Phoenix Industrial Park. There is however a small-scale home manufacturing industry in the area, which specialises mainly in furniture and clothes making. The light-manufacturing zone, the Bridge City area, which is operating, is not enough compared to the area's population. The lack of a bigger manufacturing cluster makes it difficult to attract plants which cause the sector to not grow.

1.2.5 Case study: INK Agricultural and Multipurpose Secondary Co-operatives

According to the INK Agricultural and Multipurpose Secondary Co-operatives profile (2009), INK Secondary Co-operatives were formed by member co-operatives from Inanda, Ntuzuma and KwaMashu. Co-ordinating activities commenced in June 2008 and final registration of the agricultural sector and manufacturing sector was completed on 3 March, 2009 followed by the first elected structure in May 2009.

This secondary co-operative's role is to manage, control, establish and administer primary co-operatives, market member co-operatives products and services, act as a middleman and to provide support with solution to problems encountered by member co-operatives. The progress and achievements of this secondary co-operative, since its inception in 2009, has been very slow. The only achievement was the registration as a legal entity with CIPRO, securing permission to utilise three vacant offices in Newtown A, and permission to operate as a flea market in the KwaMashu E section.

Negotiations are also underway in marketing products and services to different departments, establishing relations with companies in the INK area to train block makers and ensuring good quality and establishing business links with fabric manufactures in Phoenix to make genuine fabric for school uniforms, industrial uniforms and hospital clothes.

Up to date, the outcome of these negotiations is not known as the activities of the INK Agricultural and Multipurpose Secondary Co-operatives are progressing slowly due to the lack of support from the municipality and the provincial government and others stake holders.

1.3 Motivation for the study

Regardless of the initiatives made by the South African government to improve the country's socio-economic development through improved distribution of benefits to citizens and enhancing sustainable development, the inadequate involvement of local communities in co-operatives is a concern if socio-economic and sustainable development is to be achieved.

There are disadvantaged communities living in remote areas of South Africa that are still receiving fewer benefits or no benefits at all from community development programmes. After a five month internship in INK/ABM as a community development Student, helping the community to organise itself, drafting a business plan proposal for them to access funds from government, the researcher realised how the community was struggling to improve their socio-economic conditions. From his personal experience of co-operatives in his home country (Burundi), the majority of the community are members of co-operatives and the researcher has been impressed with the successful agricultural cooperatives.

1.3. Research objectives

The aims of this study are:

To investigate the impact of agricultural and multipurpose secondary co-operatives within the INK (Inanda, Ntuzuma and KwaMashu) area of the eThekweni Municipality, which is situated within the province of KwaZulu-Natal; and

To draw lessons from the Kenyan co-operative models so as to improve the function of co-operatives within the INK area.

1.5. Research questions

The following are the key research questions:

1. What is the feasibility of employing the co-operative model as a means of alleviating poverty within the INK area?
2. What are the necessary conditions for co-operatives within KwaZulu-Natal to succeed as compared to co-operatives in Kenya?
3. How can the failures of co-operatives be used to prevent the hampering of co-operatives, which is now occurring within a democratic context?
4. To what degree can co-operatives provide viable employment opportunities for the unemployed people within the INK area?
5. What lessons can be learnt from the earliest existing co-operative in INK?

6. What lessons can be learnt from Kenya?

1.6. Structure of the dissertation

The structure of the dissertation begins with chapter one which introduces the study, describes the history of the INK/ABM, the development of INK, types of cooperatives in INK as well as the motivation of the study. Chapter two reviews the literature on characteristics and objectives of co-operatives, co-operative challenges for development, impact of co-operatives for development and the Kenyan co-operatives as a case study. Chapter three looks at the research theoretical framework, development theories, sustainable livelihood approach, method design, project area, study sample, data collection and data analysis. Chapter four is the findings from the study which include case studies from Africa, Kenya and South Africa with the focus on INK area in KwaZulu Natal and lessons from the cases studies were drawn. Chapter five concludes the study; gives, recommendations and the accomplishments of the research objectives.

1.7. Conclusion

Having defined the area of study, elaborated on the motivation of the study, and outlined the research objectives and research questions, the following chapter will focus on the history of co-operatives, objectives of co-operatives, co-operatives' challenges as a tool of development, co-operatives as a way of alleviating poverty in a rural community, impact of co-operatives for development and the case study from Kenya.

CHAPTER TWO

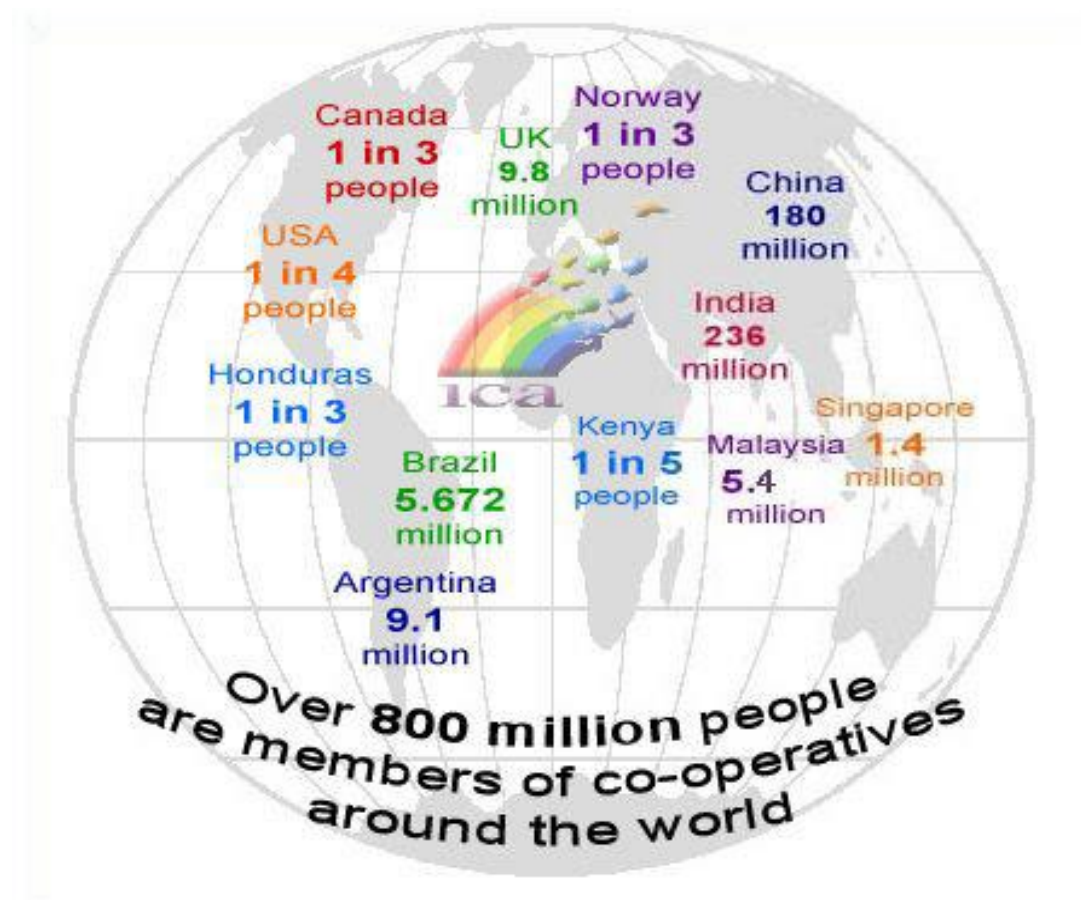
LITERATURE REVIEW

2.1. Introduction

The word co-operation is derived from the Latin word co-operari, which means ‘working together’ (Kanyane, 2009: 1125). According to Van Niekerk (1982: 45-46), a co-operative can generally be described as an organisation that is formed and exploited by and on behalf of its members, who also provide the raw materials or are the buyers of the final product or service. Phillip (2003: 3) notes that the development policy for South Africa’s co-operatives defines a co-operative as an autonomous association of persons who are united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This definition is drawn from the International Co-operative Alliance (ICA: 2009) and it suggests that co-operatives have grown within five distinct traditions, namely: consumer co-operatives, whose beginnings have long been popularly associated with the Rochdale Pioneers; worker co-operatives, which had their greatest early success in France; the credit co-operatives, which began predominantly in Germany; agricultural co-operatives, which had their roots in Denmark and Germany; and services co-operatives, such as housing and health co-operatives, which emerged in many parts of industrial Europe.

According to the International Co-operative Alliance (ICA: 2009), the statistical information on the co-operative movement shows that the co-operative movement brings together over 800 million people around the world. The United Nations estimated in 1994 that the livelihood of nearly three billion people, or half of the world’s population, was made secure by co-operative enterprises. These enterprises continue to play significant economic and social roles in their communities. Below are some facts about the movement that demonstrate their relevance and contribution to economic and social development (see figure 3 below).

Figure 3: Large segments of the population are members of co-operatives



Source: International Co-operative Alliance 2009: 1

2.2. Characteristics of co-operatives

Due to the political instability worldwide, the co-operative movement was supported by government. According to Schwettmann (2011), co-operatives in Africa have moved from pre-Colonial times, the Colonial period, after independence, structural adjustment, to co-operatives in Africa today.

2.2.1. During pre-Colonial times

Traditional systems of co-operation, mutuality, reciprocity and solidarity exist in all African societies where they remain vibrant till today, in particular in rural areas and in the informal economy. The rotating savings and credit associations (also known as “stokvels”) are omnipresent on the continent and involve large numbers of people. Quite often, they include an element of mutual social assistance in addition to the savings and credit aspect. Burial societies, which can be considered a form of micro-insurance, are widespread especially in

Southern Africa. Mutual work-sharing schemes for large, labour-intensive ventures such as housing construction, land preparation or crop harvesting can be found everywhere in Africa. These ancient traditions have been adapted to modern times and applied to the condition of the urban informal economy of many African countries. Modern examples are female traders from West Africa who pool their resources to send one of them to China to buy merchandise in bulk for all of them - without any written agreement.

2.2.2 Colonial period

During the Colonial period, in the great majority of African countries “modern” co-operatives were introduced by Colonial powers who transplanted their own co-operative systems into their colonies and protectorates. According to Develtere et al. (2008: 5), this Colonial period was characterised by five traditions which are the following:

The unified model which is mostly found in former British colonies, as an attempt to develop a single, vertically structured and horizontally integrated co-operative movement that is built around the marketing and processing of agricultural cash crops, such as coffee and cocoa;

The social economy tradition, prevalent in French speaking countries, where the “co-operative” is but one of the different forms of organisations and enterprises that are based on a common bond and a common goal. Other forms include associations and mutual benefit groups;

The social movement tradition where co-operatives emerge from, or are promoted by, other movements, such as trade unions and farmers ‘organisations. This tradition has influenced co-operative development in the former Belgian colonies of Central Africa;

The Portuguese colonial co-operative development strategy promoted a so-called “producers’ tradition” whereby co-operatives became functional instruments of rural entrepreneurs and households. The economic role of the co-operative thus preceded its social and societal role; and

Finally, several African countries, such as Ethiopia, Liberia and Sierra Leone, developed their own, home-bred co-operative tradition through the local adaptation of imported concepts and ideas.

2.2.3. After independence (the era of “co-operative”)

Schwettmann (2011) states that after the independence of most African countries in the 1960s, co-operative development became an area of high priority irrespective of the

“tradition” that these countries inherited. Co-operative development was seen as a strategy to implement the idea of African Socialism and gain control over the production and marketing of export crops. Consequently co-operatives were granted marketing monopolies; they were showered with subsidies and preferential hard currency allocations, and received massive support through government authorities, marketing boards and overseas development agencies. The result of these policies was invariably the alienation between “co-operatives” and rural producers who, because of monopolies, had no choice but to apply for “membership”. Co-operatives which degenerated into parastatals or mass organisations under the ruling party, were marred by corruption and inefficiency, and were often used to control rather than to promote small farmers. These policies naturally led to a rapid growth in the number of co-operatives all over the continent but have discredited the very term “co-operative” in many African countries until today.

2.2.4. Structural adjustment

According to the World Bank regional study on co-operatives and other rural organisations in Africa (1991-92), the policy framework for co-operative development was characterized by government control and interference, thereby compromising the formation and operations of genuine and autonomous self-help organisations. In addition, stringent state controls over cash crop marketing and financing prevented co-operatives from operating as efficient business entities, and delivering needed services to their members. The authors of the study recommended to free co-operatives from government control and to withdraw excessive state support. The result was thousands of inefficient, over-protected and politicized co-operative structures disappeared within a short period of time, creating a vacuum that neither the emerging self-help organisations nor the private sectors were able to fill in the short term. As a result, the contraction of many African economies in the 1990s was partly due to sudden disappearance of parastatal-cum-co-operative marketing structures.

2.2.5. Co-operatives in Africa today

Due to the withdrawal of state support, control over co-operatives in the 1990s, the position of co-operative registrars was weakened, and consequently, to the unavailability of reliable statistics on co-operatives and their members in Africa. However, the International Labour Organisation (ILO, 2006-2007) concluded that out of 100 Africans, including children and the elderly, seven people were members of a co-operative. The organisation added that this would mean that the African continent was home to 70 million co-operatives members - and this figure does not include membership in less formal types of co-operation and mutuality in

the wider social economy. Due to the liberal policies of the structural adjustment period, the “unified co-operative model” has lost ground and gave way to more heterogeneous, less structural co-operative movements. And because of the tainted image of “state-owned” co-operatives in the past, many countries experimented with more holistic social economy models that cater for diverse organisational manifestations of self-help, including community-based organisations and mutual benefit groups. The gradual disappearance of the unified model also implied the emergence of a myriad of “on-traditional” types of co-operatives, such as housing, handicraft, transport, mining and social services co-operatives (ibid). In summary, the contemporary co-operative landscape in Africa is much more diverse, more colourful and less structured than it used to be. Traditional forms of co-operation co-exist with modern ones, and formal co-operative societies co-exist with informal self-help groups. Almost everywhere on the continent, co-operatives are free from state control - and they can no longer count on state support. ILO argues that these tendencies thus have an impact on the capacity building requirements of the sector.

According to Hank (2009), a co-operative society is a special type of business organisation different from other forms of organisations we know, with the following characteristics:

Open membership: The membership of a co-operative society is open to all those who have a common interest. A minimum of ten members are required for a co-operative society, but the Co-operative Society Act does not specify the maximum number of members for any co-operative society. However, after the formation of the society, the member may specify the maximum number of members.

Voluntary association: Members join the co-operative society voluntarily, that is, by choice. The member can join the society as and when he likes, continue for as long as he likes, and leave the society at will.

State control: The interest of members in co-operative societies is placed under state control through registration. While getting registered, a society has to submit details about the members and the business it is to undertake. It has to maintain books of accounts, which are to be audited by government auditors.

Sources of finance: In a co-operative society, capital is contributed by all the members. However, it can easily raise loans and secure grants from government after its registration.

Democratic management: Co-operative societies are managed on democratic lines. The society is managed by a group known as a “board of directors” where members of the board of directors are the elected representatives of the society. Each member has a single vote, irrespective of the number of shares held. For example, in a village credit society, the small farmer who has one share has equal voting right as that of a landlord who has 20 shares.

Service motive: Co-operatives are not formed to maximise profit like other forms of business organisations. The main purpose of a co-operative society is to provide service to its members. It also provides better quality goods to its members and the general public.

Separate legal entity: A co-operative society is registered under the Co-operative Societies Act. After registration, a society becomes a separate legal entity with limited liability of its members, but it can enter into agreements with others and can purchase or sell properties in its own name (Co-operative Society 2004, Kenya Amended Bill).

Distribution of surplus: Every co-operative society in addition to providing services to its members also generates some profit while conducting business. The profit generated is distributed to its members not on the basis of the shares held by the members, but on the basis of members’ participation in the business of the society.

Self-help through mutual co-operation: Co-operative societies thrive on the principle of mutual help. They are the organisations of financially weaker sections of society. Co-operative societies convert the weakness of members into strength by adopting the principle of self-help through mutual co-operation. It is only by working jointly on the principle of “Each for all and all for each”; the members can fight exploitation and secure a place in society.

Robinson (1993) describes “co-operative” in a manner that distinguishes it from other forms of ownership while concurring that it is just another form of ownership. The author describes it as distinguished from other forms of public or private organisations in that they are democratic structures owned and controlled by their members. Furthermore, he states that co-operatives provide a legal framework through which a commune can maintain ownership over local resources while providing a service to members and to the local community. From the descriptions one can conclude that co-operatives are suitable forms of enterprise for rural development as rural development can be driven through the use of co-operatives. Therefore

the South Africa government can use co-operatives in its rural development strategy, provided of course, that mechanisms are in place to ensure that co-operatives work.

2.3. Objectives of co-operatives

According to Develtere (1994, cited in CoopAfrica Working Paper No.1, 2009), the origin of co-operatives in most African countries can be traced to the Colonial period when Colonial governments directed the formation of these organisations for the purposes of achieving, not the interests of the co-operators, but the interest of the said administration. The main intention in establishing these organisations was to have instruments through which they would implement their socio-economic policies. For instance, the British, particularly in their settler colonies, wished to promote and protect the interests of white settler farmers in order to enhance their productivity so as to generate the very much-needed income to run the affairs of the colonies and also export to Britain the cash crops that were required to fuel industrialization. Hyden (1973) adds that co-operative development started among these white farmers as a means of improving their productivity and the initial legal framework that guided the formation of these organisations excluded African participation until after the Second War when African nationalism gained momentum.

On the other hand, Münkner (1989) states that the French wished to use co-operatives to implement their policy of ‘assimilation’ that sought to transform the African culture into a French one. Co-operatives were therefore viewed as modern institutions that would go a long way to civilize Africans. It was for this reason that the French imperial government passed a Decree on 29 June 1910 that prescribed the establishment of co-operatives, which were then known as provident societies, in French West Africa. Due to the consideration of the institutions as modern, co-operatives were to play various roles such as keeping a stock of selected goods, supplying farm implements, processing agricultural produce, serving as insurance against disaster and accidents, granting loans and improving production methods (Münkner, 1989). As co-operatives were advanced due to modernization, they clashed with the African culture to the extent that the people cherished and suffered during the Colonial period for practising it as these organisations were serving the interest of the Colonial administration more than that of the Africans (Münkner, 1989).

Develtere (2008) states that in Belgian territories, co-operative development was closely linked to the paternalistic approach of the Colonial administration, which sought to keep

Africans in relatively underprivileged and subservient positions. In the 1920s, the Colonial administration, out of its benevolence, had allowed Africans to form co-operatives to generate income for the established tribal administrative structures and produce additional benefits for the local population. The author further argues that when the enterprises of these co-operatives develop to the point of competing with the private Belgian entrepreneurs in the 1940s, the Colonial administration quickly reviewed the policy on Africa co-operative development to restrict their activities to the social, educational and agricultural sectors as a way of protecting European interests. African co-operatives were henceforth strictly controlled by the Colonial administration to the point of fixing the prices that co-operatives could pay their members for their agricultural produce, which was lower than what private entrepreneurs paid (Develtere, 2008). The goal was to undermine co-operative development among Africans. In the Portuguese colonies, the story was not much different as agricultural co-operatives were merely functional appendages of rural extension work of semi-public agencies like the Coffee Institute of Angola or the Cotton Institute in Mozambique (ibid).

The examples above clearly show the disconnection between the original motivation to form co-operatives and the interests of the African people. The organisations were formed to meet external interests rather than internal ones. The Colonial powers were largely driven by the goal of maximizing benefits to the Colonial state and the metropolitan economy by maintaining law and order as well as containing the local population. Co-operatives in this context were established as a government instrument for maintaining the existing socio-economic relations and only gradually introduced the natives to the extremely controlled export-oriented money economy that had been set up (Develtere, 1994 cited in CoopAfrica Paper No. 1, 2009).

According to the United Nations Research Institute for Social Development (UNRISD, 1970: cited in Develtere at all, 2008), “the aims of agricultural co-operative policies were commonly directed towards self-reliance, agricultural innovation and increased productivity, social and economic equalization and structural change. The activities of co-operatives were irrelevant to the wider context of social and economic change as co-operatives did little to contribute to the achievement of these objectives, as in many cases, co-operatives reinforced existing patterns of exploitation and social stratification or introduced new forms of inequality. The institute also adds that the poor were seldom reached by the co-operative programmes under review; the position of women was negatively affected under the co-operative development process; and the means of production did not really come into the

hands of the co-operators. The general policies and the functioning of African co-operatives lay with government officials rather than with the formal leaders of the co-operatives (UNRISD, 1970). In terms of agriculture, the researchers concluded that innovation and increased productivity were not achieved as rural co-operatives had much difficulty in tackling the problem of productivity and inequality simultaneously (Apthorpe, 1970; Fals-Borda et al., 1976).

Despite the critical revelation, there was little effort to change the approach to co-operative development in Africa. Although it attempted to portray co-operatives as voluntary organisations and to encourage ‘spontaneous’ participation in these organisations, the state continued to direct co-operative development. External development agencies in conjunction with governments continued to use co-operatives as mechanisms for implementing their projects and hardly viewed them as independent private enterprises with their own agenda and rational (World Bank, 1986). Braverman et al. (1991, cited in CoopAfrica Paper No. 1, 2009) state that whereas co-operatives continued to serve donor organisations as instruments for channelling grants to recipients, they served governments by acting as collecting agents of agricultural produce for state marketing boards as well as distribution channels for agricultural inputs.

As was elaborated above, different countries have different purposes for co-operative formation. In the South African context, the purpose of the Co-operatives Act, Act no.14 of 2005:13 , Chapter 2, states that, co-operatives’ objectives are to:

Promote the development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;

Encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register co-operatives in terms of the Co-operatives Act;

Enable such co-operative enterprises to register and acquire a legal status separate from their members; and

Promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth, in the formation of, and management of co-operatives.

2.4. Co-operative challenges as a tool of development

In developing countries, co-operatives can be a powerful tool for alleviating poverty, creating economic opportunity and fostering a more secure world.

Without this effort to advance co-operative development, urban housing will grossly lag behind demand, urban people will not have insurance to counter individual catastrophes, small farmers will lose high-value, high-income markets to more developed countries and rural and urban financial needs will go unmet. The opportunity is immense - not grasping it has huge and unfortunate consequences (OCDC, 2010).

Michel (2005) sheds light on the challenges facing co-operatives as a tool of development, and indicates that for co-operative managers, the available tools never truly reflect the reality of a collective undertaking focused on optimising a user-oriented relationship. In relation to this, he also identifies the following four concepts:

A co-operative challenge reveals in strategic terms a feature of the co-operative identity by describing the relationship between that particular feature and the way the management and development of a co-operative are conducted within a competitive setting.

A strategic practice is an action undertaken by the co-operative with the aim of putting co-operative identity into practice.

Elements of the environment are contextual variables that distinctly influence the selection of strategic actions but remain beyond the co-operative's immediate control.

A strategic result is the result that a series of strategic actions should produce on two co-operative levels, namely for members and for the co-operative.

Satgar (2007: 19) argues that co-operatives continue to emerge in the enabling environment. As result, five crucial challenges for new co-operatives were identified:

The first crucial challenge for these new co-operatives, as well as the existing primary, secondary and sectorial bodies, is to engage in a patient and painstaking process of movement building from below. Which means that all co-operators as well as the government need to appreciate that co-operatives, by definition, have an ethical basis grounded in the idea of self and collective empowerment. It is an empowerment tradition of learning from experience and practice that would also have to be passed on to generations.

The second important challenge facing co-operative development is intra-governmental co-ordination. The emergence of various government linked institutions to support co-operative development and policy thrusts in departments all constitute the strength of the emerging government support. However, these roles and contributions need to be brought together in a synergy way to strengthen learning from policy practice and should be institutionalised. In this regard, the new Cooperatives Act (2005) provides for a National Cooperative Advisory Board to be established to make recommendations on policy, strategy development challenges and other important issues related to co-operative development.

The third important challenge is to avoid the duality of ‘black co-operatives’ and ‘white co-operatives’. The point has been made that BBBEE fosters a racial divide among co-operatives. It is crucial at a policy level for government to think about the deracialising challenge for historically white co-operatives. While these co-operatives have a particular history they have developed very successful co-operative practices, in many instances, and many in the farming sector have chosen to remain as co-operatives rather than convert to companies despite the challenges of liberalisation.

The fourth challenge facing co-operative development in post-apartheid South Africa is the development of markets for co-operatives. Many emerging co-operatives attempt to utilise community demand as a basis for development. However, this might not always be sustainable and hence co-operatives have to find other channels to promote their products. In this matter, some options can be considered for development of markets for co-operatives such as the role of government in widening access to the fair trade marketing system for emerging co-operatives and the establishment of co-operative stores as part of consumer co-operatives, in towns and city centres, to support producer co-operatives.

Finally, it is important to enhance the multi-class appeal of co-operatives and to ensure co-operatives are able to attract people with different kinds of skills. In this regard, tertiary academic institutions have to consider developing a special degree for co-operative managers, encouraging research and journals on co-operatives, developing text books and promoting the co-operative ideas as part of development education. Also, the South African education curriculum in schools needs to provide for an understanding of the co-operative model and its role in development and empowerment. In terms of skills development, the most important is a need for a national co-operative college in South Africa which should be set up to train co-operators, government officials, NGO personnel and so on, in co-operative practice. This

college could also run specialised and advanced training courses for co-operative cadres that might want to specialise in particular areas of co-operative work.

Challenges facing co-operative development are not in developing countries only but general to the co-operatives movement worldwide.

In his presentation on co-operative development, Woods (2010) mentioned the following challenges facing co-operatives: access to capital, cost of member and public education, investment in democratic processes, limit in the scope of operations and co-operatives are only as good as their members ask them to be. The author also states that when members are unable to raise capital, government is generally expected to provide financial support to the co-operatives. Woods adds that in some parts of the world like Kenya and India, the co-operatives themselves form credit co-operatives. Das et al. (2006, cited by Mqingwana, 2010: 19) state that the co-operative credit system of India has the largest network in the world and co-operatives have advanced more credit in the Indian agricultural sector than commercial banks where eighty percent of co-operative structures in India are agricultural co-operatives and of that, sixty percent are credit co-ops.

2.5. Co-operatives as a way of alleviating poverty in a rural community

For decades, co-operatives have been used effectively to achieve economic, social and democratic objectives in international development. Co-operatives are member-owned institutions that have helped millions of people worldwide to escape poverty and have provided goods and services often not available to disadvantaged populations. However, the success of co-operatives has not always been widely recognised or fully understood (<http://www.cooperative.org>). In response to diminishing agricultural opportunities and growth pressure, extension and development agents routinely seek new approaches and opportunities for community and economic development. Co-operatives, which produce a variety of goods and services, can help to meet this need (The Institute of Food and Agricultural Sciences, 2009).

The UNDP Human Development Report (2000) declared that South Africa had a poverty rate of 45%. This means more than 18 million citizens are living below the poverty line (pegged at an income of R353 per month). In terms of income distribution, the poorest 40% of households (half of the people in the country) receive only 11% of total income, while the richest 10% of households (7% of the population) receive over 40% of the total income.

Inequality is also great between rural and urban South Africans. While 50% of the population live in rural areas, 72% of the country's poor are rural. From a racial perspective, poverty is concentrated among blacks (61%) are poor, followed by coloureds (38%), Indians (5%) and whites (1%). Women fare worse than men as poverty among female-headed households is 60% compared with 31% for male-headed households (UNDP, 2000).

The Co-operatives Development Strategy of South Africa (2006) states that for South Africa's deprived and marginalised population, co-operation was a logical way forward from their difficult situation, as formal and informal co-operatives began springing up around the country at a pace of at least 100 per year since. Co-operation in Africa is an ancient tradition. For centuries, the collectivist principles have guided South Africans towards co-operative responses to adverse circumstances. Stokvels, burial societies and other social clubs are forms of co-operatives that have long contributed to community development in South Africa (Co-operatives Development Strategy of South Africa, 2006).

The UNDP report (2000) also mentioned that all over the world, the co-operative movement has proven to be one of the most effective and sustainable methods of combating harsh inequality. By combining the priorities of growth and redistribution, the co-operative movement contributes to a holistic process of social, economic, political and cultural development. Many South Africans, especially within the black community, are increasingly pursuing collective and co-operative forms of enterprises to meet their social and economic needs (ibid). Co-operatives provide a productive alternative to this harmful cycle of poverty. Certainly, people-driven enterprises underpinned by democracy, solidarity and equality, could radically transform South African society (UNDP, 2000).

According to Shenxane (2003: 2), the new South Africa's system of co-operatives has benefited people with jobs and encourages them to be self-employed to combat the high rate of poverty. These, according to the Shenxane, range from non-profit service organisations to trade associations, and are built on a number of values such as self-help, equality and self-responsibility. South Africa has a long history of using collectives, both in rural and urban settings. The revitalisation of co-operatives in the country can now be ascribed to many developments, including the rise in unemployment itself, planned programmes that emerge from redundancies, the land reform programme and the privatisation of certain state assets. A report compiled by the South African Communist Party (1999) suggests that the Tripartite Alliance Partners also have a programmatic commitment to building co-operatives for the

sake of economic development and sustainable livelihoods. The Tripartite Alliance Partners adopted a programme for action that committed them to the building of co-operatives. Furthermore, in September 1998 a commission was called by the Congress of South African Trade Unions (COSATU) for the sake of the development of a socio-economic sector in which co-operatives predominate. In 1998, a Unity in Action Programme was adopted by the Tripartite Alliance Partners that placed co-operatives on the alliance's political agenda. At the final declaration, commitment to co-operatives also found expression in the Presidential Jobs Summit. Moreover, the African National Congress's manifesto also makes reference to the establishment and nurturing of co-operatives (SACP, 1999).

In June 1999, the then president, Thabo Mbeki, reinforced the government's commitment to co-operatives when addressing parliament. Mbeki declared that:

"The government will also place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity" (Mbeki, 1999, parliament speech).

In addition, the Department of Trade and Industry gave the go-ahead to this noble idea by establishing a chief directorate of co-operatives, whose role was to co-ordinate and support the establishment of the co-operatives' institutional mechanism.

The TGSL (2003: 1), as quoted in Kanyane (2009: 1131), reports that the South African government has decided, among other blueprint projects, to revive the co-operative initiative. However, out of the nine provinces that make up the Republic of South Africa, only one province set R30 million aside for the co-operative venture in the year 2003, and this was the province of Limpopo, which at present remains a case study for its activities. According to Kanyane (2009: 1131), it is estimated that over 50% of the South African population remains exposed to basic social security risks, unlike developed countries where various forms of social security cover more than 90% of the total population. When comparing the above statistics to other literature, it is arguable that the above-mentioned reasons as well as other considerations force a large percentage of the South African population to rely on informal social security mechanisms. One of the reasons is that informal workers increasingly have to set up their own mutual support schemes – such as rotating credit societies, burials societies and stokvels – in order to be able to cover their risks (Olivier and Kalula, 2004: 162). Co-operatives are clustered within the informal social security mainstream, hence the need for

legal protection to incorporate them into the formal economic mainstream. The need for a paradigm shift from informal to formal co-operatives is non-negotiable.

Given the economic conditions of South Africa, co-operatives have an important role to play in fighting poverty and unemployment. The fight is to be conducted within the context of developing alternative forms for empowering communities and people in general. With this perspective in mind, the entities that are well placed to utilise co-operatives as part of sustainable economic development are trade unions, local communities and local and provincial governments. However, researchers have referred to sustainable development as the economic strategy to meet people's basic needs. Several authors and researchers have defined sustainable development as "being concerned with improving the overall quality of life as well as satisfying human needs, this requires a sustainable population level, and includes the environment and cross sectional concerns to be integrated into decision making processes to empower communities" (Munslow et al., 1997: 2).

The legislature framework for South African co-operatives is skewed in favour of agriculture and thus is in need of review and reform. It is said that many countries around the globe are also changing their institutional policies regarding co-operatives. Based on the adoption of structural adjustment programmes and the transition to market economies in the former central European countries and many countries of the Third World, this change in policy has opened up the way for a market-based (as opposed to a top-down) model of co-operatives. In such instances, co-operatives are defined by the co-operative policy as businesses and are located within the private sector. COSATU (2001) states that any attempt to view co-operatives as being part of a co-operative or social sector with distinct legal, development values and principles from businesses is exaggerated. Co-operatives' State Policy is then regarded as merely providing an administrative framework. The question facing South Africa today is what will be the nature and form that co-operatives take under the socio-economic conditions that exist within this country? Can South Africa adopt the Kenyan model? The National Department of Agriculture report shows that Kenya is the leading country in Africa in terms of co-operative projects (National Department of Agriculture, 2000).

In the Kenyan situation, the significance of co-operatives in social development is based on creating employment, generating income and reducing poverty (Ministry of Co-operative Development and Marketing, 2008).

According to the Ministry of Co-operative Development and Marketing (2008, cited in Wanyama, 2009), cooperatives are generally regarded as significant generators of employment opportunity in Kenya as the movement directly employs over 300,000 people. These are the people who are charged with the responsibility of managing co-operatives for a wage. Co-operatives are also estimated to generate employment for over 1.5 million people indirectly and they are involved in different sectors such as manufacturing and marketing goods that are purchased by their co-operative. They derive jobs from marketing products produced by co-operatives. The same Ministry of Co-operative Development and Marketing (2008, cited in Wanyama, 2009) also says besides creating employment, co-operatives are also sources of income-generating opportunities for many people, particularly members of co-operatives, as in 2007, primary co-operatives in the agricultural sector had a membership of 1,318,000, approximately 50% of whom were estimated to be active. The SACCOs had 6,286,894 members, 98% of whom were active in the lending activities (Wanyama, 2009). The other non-agricultural primary co-operatives had a total membership of 334,000, with approximately 50% active members. These estimations indicate that primary co-operatives had slightly over seven million active members that directly associate income with co-operative activities. The multiplier effect of co-operative membership would see the income-generating opportunities spread to more people. It is from this perspective that 63% of Kenya's population (i.e. approximately 23.4 million people) is estimated to be participating directly or indirectly in economic activities that originate from the co-operative movement (ibid).

The figures above are clear pointers to the significant contribution of co-operatives to poverty reduction and poverty prevention in Kenya. Evans (2002 cited in Wanyama, 2009), emphasizes that most of the income generated from co-operatives is used to address long-term poverty prevention measures. For instance, the main type of back office loan offered by most SACCOs (at interest rates of 1 to 1.5% on reducing balances for a 12- month period) is associated with school fees. This has afforded many members of co-operatives an opportunity to educate their children, under the assumption that education can help to prevent poverty in the long term. Development loans offered by most SACCOs have been used to buy land, build houses, invest in businesses and farming, buy household furniture and meet other family obligations (ibid). The contribution of co-operatives to poverty reduction, poverty prevention and social protection should be appreciated in this light (ibid).

2.6. The impact of co-operatives for development in rural areas

Brennan and Luloff (2005) stated that historically, agricultural co-operatives have been a successful and common aspect of rural life. Such co-operatives have allowed for economic stability and have provided a framework for local investment that is community-based. The latter aspect is particularly important because while complimenting economic development, co-operatives also directly contribute towards community development by establishing local channels of communication and enhancing local decision-making (Brennan and Luloff, 2005). Aside from traditional agricultural and livestock enterprises, co-operatives that focus on livestock, fishing, forestry and other natural resource-based activities have also been effectively used around the world (Bendick and Egan, 1995). However, co-operatives can take on a variety of other forms, such as those centred on tourism, the arts, small manufacturing, aquaculture and other conditions reflective of the unique local characteristics of an area (Cawley et al., 1999; Jodahl, 2003; Phillips, 2004; Brennan and Luloff, 2005). Recent research shows that specialised production co-operatives and small manufacturing enterprises have also shown promise and are increasing in use (Cawley et al., 1999; Jodahl, 2003; Phillips, 2004; Brennan and Luloff, 2005).

Co-operatives that produce a variety of alternative and locally reflective items could be a useful tool and agents of change in their efforts to enhance rural communities and their economic well-being (Wilkinson, 1991; Luloff and Bridger, 2003). Employment opportunities, reliable income and increased trade are three direct and tangible benefits of such an effort (ibid). Further, co-operatives serve to strengthen community support functions. Through the development of co-operatives, residents of a community draw closer to one another and thus become more integrated. By so doing, the vital tenants of community, which include communication, interaction and social support, are maintained and increased (ibid).

Ouma (1990) offers essential background information on the history and philosophy of the co-operative movement and sector, particularly as they have been realised in Kenya. He explores the origin of the co-operatives under the Colonial order and shows how these were not genuinely there to serve the people but were rather tools for Colonial domination and surplus extraction. The author further highlights how the newly independent Kenya used the co-operative movement to create truly democratic and people-focused organisations, which in turn adopted the principles as espoused by the International Co-operative Association (ICA).

Harper (1992: 41-49) elaborates on the experiences of co-operatives in developing countries – such as those in African countries like Botswana, Ethiopia, Kenya, Lesotho, Mauritius, Senegal, Seychelles, Sudan, Tanzania and Zambia – that are primarily agricultural rather than industrial. Harper claims that most of the countries have large numbers of farmers supplying societies and they are supported by the government. He argues that in Latin America, the autocratic tradition was too strong; workers expected to be managed, they did not expect to participate in management, and managers expected to be obeyed. Harper adds that the Chinese and Korean models of co-operatives are generally community-based, in particular, South Korea is the most successful and its economy has grown faster. India is a world unto itself, one where the terms producers and industrial co-operatives are often used interchangeably to describe societies. Their purpose is to help their independent producer members to market their products so as to buy raw materials, as well as societies that are genuine workers or industrial co-operatives, in that their members own, manage and are employed by them. According to Attwood and Baviskar (1988), it seems that since the 1960s, co-operatives have been established with great enthusiasm in most developing countries. Expectations with regard to their performance have been high, and in many cases there has been great disappointment and bitterness at the actual results. Holmn (1990) provides a thorough and comprehensive overview of the philosophical, sociological, historical and ideological issues relating to co-operatives.

The following questions have been explored and answered: what is a co-operative? What is the difference between the co-operative movement and a co-op? What is the history behind the co-operative movement (from the industrial era through to early European history)? What is the capitalist model of co-op? What is the Soviet model of co-op as a state or forced collectivist project? What is the developing-country model of co-operatives (i.e. newly independent Africa adopting the similar Soviet model of forced collectivism)?

2.7. Kenyan case study

2.7.1. Introduction

According to the Kenyan National Federation of Co-operatives (2009), Kenya has the largest economy in East Africa with GDP at US\$ 18 billion (2005) with an estimated total population of 34.3 million. However, it also has a high incidence of absolute poverty, with an alarming 46% of the population estimated to live in absolute poverty. It was noted that the number of poor people increased from 3.7 million from the period 1972 - 1973 to an

estimated 15 million today. This resulted in poor governance, weak internal control systems and lack of will to carry out the commitments made through legislative, policy and institutional frameworks.

From 2000 to 2007 Kenya experienced an average economic growth of 4% GDP where agriculture remains the dominant sector in the country's economy, accounting for 22.6% of the GDP and a significant proportion of employment. The government sees industrialization as the main development challenge, but the share of manufacturing has grown since independence. The sector received a major boost following the inclusion of Kenya in the list of beneficiaries of the African Growth and Opportunity Act (AGOA) where out of a total of 11.85 million of labour force, 75% is in agriculture. But due to poor governance, Kenya is struggling to attract foreign direct investment (FDI) especially compared to its East African neighbours (Kenya National Federation of Co-operatives, 2009).

2.7.2. The history of co-operatives in Kenya

According to Gicheru et al. (2011), Kenya has a long history of co-operatives, with the first co-operative in Kenya, the Lumbwa Farmers' Co-operative Society, was established in 1908 in the Rift Valley. However, the Kenya Farmers Association, registered in 1923, is recorded as the first, legally registered co-operative. But over time, co-operatives in Kenya have developed in number and types.

Co-operatives have made tremendous social, economic and environmental impact worldwide, in Kenya for instance, co-operatives have permeated almost every corner of the economic sector, with almost eight out of 10 people or close to eight million individuals being members of, or dependent on, co-operative business enterprises (ICA, 2008). If one was to juxtapose the population of Kenya, which by 2009 stood at 38,610,097, then one can conclude that the co-operative sector is fundamental in the development of Kenya. The International Co-operative Alliance (ICA) has ranked Kenya number seven in the world and number one in Africa in terms of the number, size and contribution of co-operatives to development (ICA, 2008)

Wanyama (2009) reports that there were 12,632 registered co-operatives in 2010 with over seven million members; 45% of co-operatives are Savings and Credit Co-operative Organisations (SACCOs) and command a total saving of 250 billion Kenyan shillings, where the majority of the SACCOs are flourishing and boasting huge savings. Marketing co-operatives play an important role in the socio-economic development of the country, however

the greatest contributors are the financial co-operatives such as SACCOs, the Kenya Union of Savings and Credit Co-operatives (KUSCCO), the Co-operative Bank of Kenya and the Co-operative Insurance Company (Wanyama, 2009).

According to Ngumo (2010), the co-operative movement in Kenya traces its roots to the period immediately after the country's independence when the world was divided largely into two adversarial camps: a capitalist West led by the United States of America and the United Kingdom, and a Socialist East under the patronage of the former Union of Soviet Socialist Republics and the People's Republic of China. Both the people of Kenya and its leaders were under intense pressure to join either of the two camps as its neighbours had already taken sides, with Julius Nyerere's Tanganyika opting to follow the East while Milton Obote's Uganda soon followed suit with their Common Man's Charter (ibid). Under the guidance of the late Tom Mboya and the current president, Hon. Mwai Kibaki, the Kenyan government opted for what was essentially a middle of the ground position, a mixed system (ibid). In a paper entitled the Sessional Paper Number 10 of 1965, the thinking of the Kenyan government was summarized as "African Socialism". With that paper, the parastatal sector was born and the co-operative movement given new impetus (Philip, Rono, Aboud and Abdoul, 1999).

According to The International Monetary Fund (2007 cited in Gunga 2008), the policy objective of the Kenyan co-operative movement is to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement, improving cooperative extension service delivery, corporate governance, access to markets and marketing efficiency. Verma (2004) adds that the co-operatives have an immense potential to deliver goods and services in the area where both the public and the private sector have not ventured.

In Kenya, co-operatives are organised into services and producer co-operatives where producer co-operatives' objectives are to promote the use of modern technology and contribute to national development through production. In terms of services, a cooperative's responsibility is procurement, marketing and expansion services, loan disbursement, sale of consumer goods and member education. The co-operatives have made remarkable progress in agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing. It was realised that service co-operatives are the closest to communities and are organised on a shareholder basis formed by individual members of organisations voluntarily working in a

specific geographic area. For example the primary level sugar cane farmers' co-operatives provide a collection point for farmers' produce and negotiate the per ton cost of sugarcane (Wanyama,2007).

Ouma (1990: 5) indicates that the Kenyan Harambee philosophy is a co-operative spirit that has its roots in the country's traditional form of associations. It is, in fact, partly against this background that the success story of the modern co-operative movement in Kenya can be explained. The Kenyan modern co-operative movement came into existence following the Lumbwa Farmers' Co-operative Society in Rea Vipingo (RVP) which was established in 1908 by the country's European settlers. This co-operative was formed specifically for the benefit of the European farmers, who had presumably learnt the advantages of the co-operative business back home in Europe. However, local Kenyans eventually became involved in co-operative activities, thereby bypassing the Co-operative Society's Ordinance Acts of 1931 and 1945 (Ouma: 1990). But even then, the Colonial government did not give them sufficient encouragement or adequate support. The government did this deliberately, but used the pretext that there were no capable Kenyans who could maintain the account books for co-operatives. Ouma also states that the co-operative movement in Kenya received a new lease on life after the country's independence, which came about in 1963. The new government fully appreciated the vital role of the co-operative system in national economic development. Co-operative institutions were seen as agencies capable of mobilising the capital required to acquire the farms left vacant by the Europeans who left the country at the time of its independence. The new government thus took deliberate steps to revitalise the country's co-operatives. The International Labour Organization (2009) states that, the co-operatives movement was seen as a vehicle for both introducing African Socialism to the country and strengthening the common ties between people from different regions of Kenya. Meanwhile, Kenyan politicians viewed co-operatives as a mass movement through which they could influence voters with regard to the pending elections for parliament and local councils. It must be mentioned here that the trade unions also played a vital and positive role in the development of co-operatives in Kenya.

According to Frederic et al. (2009), the Kenyan Co-operative College is currently playing an important role in the development of the country as it supports Kenya's considerable co-operative sector. This co-operative college ranges from the large Co-operative Bank of Kenya to small agricultural co-operatives and the community-based SACCOs.

Trade Invest Kenya Staff 2008 report states that the role of co-operatives in reducing poverty and creating employment is exceptionally considerable. Success of the co-operative movement in Kenya is amazing, unbelievable and highly impressive. The Kenyan experience of co-operatives is a clear indication of how co-operatives can contribute to real broad-based black economic empowerment and its people must move from being contributors and consumers to being involved in management, ownership and control of the economy (Trade Invest Kenya Staff, 2008).

2.7.3. Successful key areas in the Kenyan Co-operative Movement

Mudibo (2005), states that Kenya is a success story with regards to the development of The Co-operative Movement. According to his report, there are currently over 10,800 registered co-operative societies in Kenya with a membership of about six million. Out of this, 46% are agricultural, 38% are financially based, and these are SACCOs, and 16% are others. Sixty-three percent of the Kenyan population depends on co-operative-related activities for their livelihood with 250,000 benefiting through direct employment.

In Kenya, the co-operative societies are the most suitable place where small-scale farmers can venture into value addition of their produce in order to earn higher returns.

The following are the key areas that have been successful in the Kenyan co-operative movement:

2.7.3.1. The Kenya Union of Savings and Credit Co-operatives (KUSCCO) Limited and the development of Savings and Credit Co-operatives (SACCOs)

There are over 3,000 active SACCO in Kenya and the SACCOs have mobilized more than 80% of the savings attributed to SACCOs in Africa. KUSCCO offers education and training, research and consultancy, corporate affairs and marketing services to SACCO societies. Advocacy, representation, central finance facility and risk management are also part of KUSCCO services.

2.7.3.2. The Co-operative Bank of Kenya

The Co-operative Bank of Kenya is the only known co-operative bank in Africa today with a capital base of over Kshs2.5billion (US\$ 33 million) customer deposits in excess of Kshs. 46 billion (US\$ 605 million), with loans and advances totalling over Kshs. 30billion (US\$ 395 million) (Wanyama, 2009).

According to Wanyama (2009) there is a Co-operative Bank of Kenya that is owned by the co-operative movement. Its main objective is to mobilize savings and provide credit facilities

to the co-operative movement, particularly the co-operative unions in the agricultural sector that were experiencing difficulties in obtaining credit to facilitate marketing members' produce. The bank has not only been instrumental in providing banking services to co-operatives, but has also been the source of affordable credit for the co-operative movement. It also serves as a mechanism through which most donors to the agricultural sector, particularly those that produce coffee, can channel their support. For this reason, this co-operative bank is allowed to network with many donors, such as FAO, the SCC, Sida and the European Union, among others.

2.7.3.3. The Co-operative Insurance Company (CIC)

The Co-operative Insurance Company is the only co-operative organisation doing business in the insurance sub-sector. It provides financial security for almost all co-operative institutions, the private sector and general public. According to Wanyama (2009), besides underwriting risk insurance for co-operatives, the company also provides awareness in risk protection and management to co-operatives. CIC is the ninth largest insurance company in Kenya, employing over 800 full-time staff, with a branch network that covers all the cities and major towns in Kenya. CIC also networks at an international level and is an affiliate of the International Co-operative and Mutual Insurance Federation (ICMIF).

2.7.3.4. The National Co-operative Housing Union (NACHU)

The National co-operative Housing Union was established in 1979 as a limited national cooperative union under the Cooperative Societies Act. It is a membership organization whose affiliates are primary housing cooperatives. NACHU provides technical and advisory services to co-operative housing societies. The federation has over 214 housing co-operatives as its members. Its main focus is to contribute to improved shelter for low-income communities through provision of access to technical assistance and financial services. Accordingly, NACHU provides services such as promotion, sponsorship, planning and implementation of housing co-operative projects (Wanyama, 2009).

2.7.3.5. The Co-operative College of Kenya

The Co-operative College of Kenya is a state corporation and the leading training institution for the co-operative movement. It is usually treated as a National Co-operative Organisation (NACO) due to its long history of association with training the co-operative movement. It works closely with the Ministry of Co-operative Development and Marketing, Kenya National Federation of Co-operatives, co-operative unions and primary co-operatives, as well as the private sector. Its visibility is further enhanced by a network of collaborating

institutions that include: GTZ, DED, HSS, KACE, ACDI/VOCA, SCC, United States Agency for International Development/International Volunteers in Overseas Co-operative Assistance (USAID/VOCA), Insika Rural Development (South Africa), Moshi University College of Co-operative and Business Studies (MUCCOBS), The UK Co-operative College, ILO and ICA of which the college is a member (Wanyama, 2009).

According to Gicheru (2011), the college director of the Co-operative College of Kenya, Kenya is the only country in Africa with a specialized higher training institution for co-operative training and education. The college boasts a rich experience accumulated over a long period and exposure to world co-operative experiences through the support of a partnership with Nordic countries. It is also the only institution with a wealth of human professionals in the fields of co-operatives education and training.

The semi-autonomous status has enabled the college to collaborate widely with like-minded institutions to be able to create innovative and positive impact on the co-operative movement in Kenya and the world over.

2.7.3.6. The Kenya Rural Savings and Credit Co-operative Societies Union (KERUSSU)

KERUSSU is the umbrella national co-operative organisation for rural SACCOs and other forms of savings and credit associations in Kenya which have common characteristics (Wanyama, 2009). The main objective of KERUSSU is to be a mouthpiece for its members and thereby safeguard their interests through lobbying and advocacy. This has required that KERUSSU acts as a link for rural savings and credit co-operatives and associations locally and internationally. The other objectives include harmonizing and co-ordinating savings and credit activities of its members (ibid).

For KERUSSU to realise these objectives, it has been involved in a number of activities and programmes such as education and training. Secondly, KERUSSU has been involved in lobbying for the creation of an enabling legislative environment for the co-operative movement as was evidenced by its participation in the revision of the Co-operative Societies Act No.12 of 1997 and the enactment of the SACCO Act of 2008 (ibid). Thirdly, the union provides management advisory services to members, which include accounting, systems development and business processes re-engineering. Lastly, KERUSSU is in the process of setting up a radio station known as Ushirika FM to serve as the voice of the co-operative movement (ibid).

2.7.3.7. *The state of co-operatives in Kenya*

Gunga (2008) argues that the co-operative movement in Kenya is one of the nationally organised institutions available for all cadres of persons. Its agenda is usually based on locally determined proposals whose aims are to empower citizens to realise their socio-cultural and economic capacities using locally available or generated resources. It is believed that people within a specific geographical or institutional locality have similar perceptions about how to resolve common issues in their lives. Often, co-operative societies bring together various classes of people regardless of their socio-economic status and their agenda would be one only to share ideas, suggest and implement viable practices that are likely to bring development and uplift economic status of members (Gunga, 2008). The various forums they organise for educational purposes are often devoid of political, ideological or socio-cultural emotion that may derail focus.

Co-operatives have been one of the pillars supporting Kenya's economic growth since independence. In 2007, the co-operatives mobilized 31% of the national savings, with 38% of agriculture-based co-operative societies -dealing with coffee (70%), dairy (76%), pyrethrum (90%) and cereals (95%) in December 2006 (Gunga, 2008).

Wanyama (2009) argues that Kenya has a long history of co-operative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. Co-operatives are recognised by the government to be a major contributor to national development, as co-operatives are found in all sectors of the economy. With the total population of Kenya at approximately 37.2 million, it is estimated that 63% of Kenya's population participate directly or indirectly in co-operative-based enterprises. Practical evidence shows that co-operatives play an important role in Kenya's economy (ibid).

2.8. Conclusion

It is clear that some co-operatives are emerging under difficult circumstances especially where there is no market to sell their products. The state intervention has generally contributed to the demobilization of civil society in post-apartheid South Africa.

The co-operative movement has its roots in production and consumption structures and operates on the terrain of civil society (Develtere: 2008). State power is important to support co-operative development but the state co-operative movement relationship has to be non-partisan and strategic. The state should not aim to control the movement, both ideologically

and through resources, but should seek to create the conditions for it to emerge as an autonomous social force in society (ibid). It is also not the responsibility of the state to build co-operative movements from above but co-operatives have to emerge organically from below through self-activity and initiative, even if this takes a long time. Co-operatives have to develop their own practices of success, learn from the experiences, develop their own language and have their own identity. The process should not be centrally controlled through the state or any political party, neither should it be swallowed up by the market nor treated like private business. Co-operatives are social in character, with their own attributes and advantages (ibid).

This conclusion summarises the chapter in brief, including characteristics of co-operatives, objectives of co-operatives, challenges facing co-operatives, how co-operatives are ways of poverty alleviation in rural community, the impact of co-operatives for development and a case study from Kenya.

CHAPTER THREE

RESEARCH METHODS

3.1. Introduction

According to Chaudhry and Crick (2005), an understanding of the methodology is vital for an effective interpretation of the findings in relation to the aims and objectives of the dissertation. This chapter aims to provide an analysis of the methodological structure under which the study was carried out. This study is based on the Inanda, Ntuzuma and KwaMashu (INK) Secondary Co-operative in eThekweni Municipality.

3.2. Theoretical framework

3.2.1. Introduction

The study explored how co-operatives give credibility to the sustainable livelihood approach. Previous research by Bond (2002), Sithole (2007) and Schrijvers (1995) have proved that co-operatives are a viable route to sustainable development. This research aims to expand upon these previous studies.

This study also makes use of the sustainable livelihood approaches (SLA) as its framework. According to Carney (1998), livelihood approaches are a way of thinking about the objectives, scope and priorities of development. The livelihood approaches place people and their priorities at the centre of development. The approach focuses on poverty reduction interventions that empower the poor to create their own opportunities, help the poor to access assets and develop an enabling policy and institutional environment.

The sustainable livelihood approach was identified as the theory/framework which can help to improve the life of communities in rural areas by adopting the co-operative movements as a strategy to alleviate poverty. The chapter also analysed the co-operative structures in Kenya.

The following chapter presents the findings of the study, recommendations and conclusion.

3.2.2. Community development (CD)

In this study, the meaning of community development (CD) was developed for the understanding of the promotion of a community's socio-economic life improvement. According to Maser (1997), development is a material growth through centralized industrialization, which we glibly equate with social "progress" and economic health. Jeppe (1998) states that the widely known and universally accepted definition of CD is that of the United Nations Department of Economic and Social Affairs of 1963 which define CD as the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to national progress. This complex process is, therefore, made up of two essential elements which include participation by the people themselves in efforts to improve their level of living, with as much reliance as possible on their own initiative, and the provision of technical and other services in ways which encourage initiative, self-help and mutual help and make these more effective. It is expressed in programmes designed to achieve a wide variety of specific improvements (Jeppe: 1985).

Since the majority of the population in developing countries (75% to 80%) live in rural areas, rural development is thus important for the development. The awareness of the importance of rural development in developing countries has become very strong. The necessity of increased agricultural production to feed the fast growing populations as the main export earning source of developing countries, and to prevent large scale urbanisation with its concomitant problems, has compounded the importance attached to rural development (Jeppe, 1985: 35). Jeppe adds that agriculture is the chief development objective of rural development, with the primary aim of improving the general circumstance of life of the people and to make the process self-sustaining and self-perpetuating. In order to achieve these primary objectives, the integrated approach of rural development has emerged.

Together with agricultural development, the following mutually supporting aspects of integrated rural development, for example, are regarded as essential for meaningful development. These are physical and infra-structural improvements such as roads, water supplies, communication facilities, buildings for different socio-economic purposes and so forth, economic diversification and services such as small industries, auxiliary services to farmers, for example credit, markets, extension services, mechanical maintenance of implements, transport, socio-cultural upliftment of the people by means of improved

educational, cultural and recreational facilities and opportunities, elimination of detrimental systems of rights to land inhibiting agricultural development by means of land tenure reform or land use reform, and the improvement or establishment of regional and local administrative and representative institutions to guide, represent and enlist the local people in the development process (ibid).

In the context of socio-economic development, Jeppe (1998) argues that community development can be a major contributing strategy for integrating rural development, land use reform, for the strengthening of rural local governing institutions and for the general improvement of the social, cultural and material standards and amenities of local communities. The basic aim of community development is to motivate local communities, by mobilising self-help efforts, to substantially contribute to their overall economic, social and cultural development on the grounds of the needs of such communities. Outside assistance by the government and voluntary agencies must be complimentary to the efforts of the local communities themselves. A basic aim with community development is educative in that communities in developing countries must become self-reliant by acquiring the attitudes, knowledge and skills required to progressively become more capable of independently solving as wide a range of local problems as possible (ibid).

3.2.3. Sustainable community development

Instead of focusing on the fear of loss or fear of change by ruminating in the past, a community must shift its focus and use change as a fulcrum of hope and choice for a more sustainable direction in the present for the future, which brings us to the notion of sustainable community development. Maser (1997) states that various attempts to define “sustainable,” “development,” “community,” “sustainable development,” and “sustainable community development” have been seen. Maser is convinced that none of these terms, either singly or in combination, is completely definable linguistically when discussing sustainable community development. He also states that they are composed of pieces of a dynamic, interactive, interconnected, interdependent system of being, which by its very nature is definable not in words but rather by the functional interactions of its pieces as a whole. Thus community, in the sense of sustainable development, focuses on the primacy and quality of relationships among people sharing a particular place and between the people and their environment, particularly their immediate environment. In the sense of being sustainable, development means personal and social transformation into a higher level of consciousness of cause and effect and a greater responsibility to one another’s keepers through all generations (Maser,

1997). Sustainability is the act of one generation saving options by passing them on to the next generation, which saves options by passing them on to the next generation, and so on. Sustainability demands a shift in personal consciousness from being self-centred to being other-centred. Toynbee (1958, cited in Maser 1997: xiv) states that “we cannot say what will happen since we cannot foretell the future; we can only see that something which has actually happened once in another episode of history, must at least be one of the possibilities that lie ahead of us.”

According to Maser (1997), community, in the context of sustainability, is a group of people with similar interests living under and exerting some influence over the same government in a shared locality (Maser, 1997: 99). They have a common attachment to their place of residence, where they have some degree of local autonomy (ibid). People in a community share social interactions with one another and organisations beyond government and through such participation are able to satisfy the full range of their daily requirements within the local area (ibid). The community also interacts with the larger society, both in creating change and in reacting to it. Finally, the community as a whole interacts with the local environment, moulding the landscape within which it rests and is in turn moulded by it (ibid).

Community development is the mechanism through which people empower themselves by increasing their ability to control their own lives in order to create a more fulfilling existence through mutual efforts to resolve shared problems. How community development works is based on the belief that through collective action people can successfully resolve their issues as well as organise and implement change. It thus promotes a sense of accomplishment and belonging through shared learning and service. Another way local community development enhances people’s potential is helping them dissolve barriers. Barriers can be dissolved by bringing all parties affected into the decision-making process. While prejudice and a sense of inequalities suppress relationships among people due to their perceived differences, community development helps them learn to cope collectively with many problems that affect their lives by uniting them in common causes when they might not otherwise choose to associate with one another. And because local community development is a democratic process that works only when it is accessible to and implemented by the majority of the population, it is necessary to involve as many members as of a community as possible in the process of improving democracy through participation. The more diverse the participants are in the democratic process of community development, the more accurately the community will be represented, the greater will be the sense of equality in rights and duties and the truer

the outcome. Local people are thus empowered by acting collectively through organisations to influence decisions, policies, programmes and projects that affect them as a community (Maser, 1997: 102).

3.3. Development theories

According to Costantinos (1998), theories of development have been motivated by the need to explain mass poverty. Interest in development issues is of rather recent origin, dating back not much earlier than the 1950s and early 60s. The following are the development schools of thought which reflect roughly the following chronological order of appearance as represented by their more influential proponents.

3.3.1. Modernization theories (1950s, early 1960s)

The modernisation school of thought was the first attempt to articulate the problem of development in terms of the need to transform the backward "traditional" nature of third world economies into "modern" economies. But there is wide agreement that economic development based on modernisation theories failed to bring about the hope for rapid growth, dynamic industrial sectors, the expansion of a modern wage economy and the alleviation of impoverished rural subsistence sectors (Singh, 1977).

3.3.2. Dependency theories (late 1960s, early 1970s)

The theoretical thrust of the dependency perspectives was that capitalist penetration leads to and reproduces a combined and unequal development of its constitutive parts. The policy implication is that indigenous economic and social development in third world social formations must be fundamentally predicted upon the removal of industrial capitalist penetration and dominance (Tylor, 1979).

3.3.3. World economy view (late 1970s, early 1980s)

The third school of thought posed a development problem, not in terms of desired self-sustained autonomous growth and not in terms of undesired dependency, but in terms of necessary global interdependency. The policy implication is that a restructuring of the interdependent relations between the developed North and under-developed South is necessary in order to achieve a 'new economic order' (Ghai, 1977).

3.3.4. Basic needs approach (late 1970s)

The other school of thought, the basic needs approach, shifts development emphasis from a singular concern with restructuring of the world economy to that of restructuring the domestic economy towards a new internal economic order, primarily aimed at the eradication of mass poverty and social injustices (Streeeten, 1980).

3.3.5. Alternative modes of production perspective (1980s)

Under this perspective, contemporarily third world societies are seen as essentially characterised by the co-existence of sharply contrasting sectors. On the one hand, there is the overwhelmingly dominant (in population terms) tradition sector, geographically constituted in the rural sector and distinguished by its predominant engagement in backward, low-productivity subsistence agriculture. On the other hand, there is also the overwhelmingly dominant (but now in economic and political terms) modern sector, geographically constituted in both the urban (industrial) sector and the rural enclaves engaged in large-scale extra-active and cash crop agricultural sub-sector (Constantinos, 1998).

3.3.6. Sustainable livelihood approach

The sustainable livelihood (SL) construct has emerged as “the integration of population, resources, environment and development in four aspects: stabilising population, reducing migration, fending off core exploitation and supporting long term sustainable resource management”. The Brundtland Commission developed it as an integrating concept. Livelihood means adequate stock and flows of food and cash to meet basic needs and security refers to secure ownership of, or access to resources...to meet contingencies, and sustainable refers to maintenance or enhancement of resource productivity in the long term (McCracken and Pretty, 1990). Adaptive strategies and capacities generate and maintain means of living and enhance well-being and that of future generations (Titti and Singh, 1995).

The researcher chose the sustainability livelihood approach as the right framework for this study as the best suited approach for poverty alleviation in a rural area.

3.4. Sustainable livelihood approach (SLA)

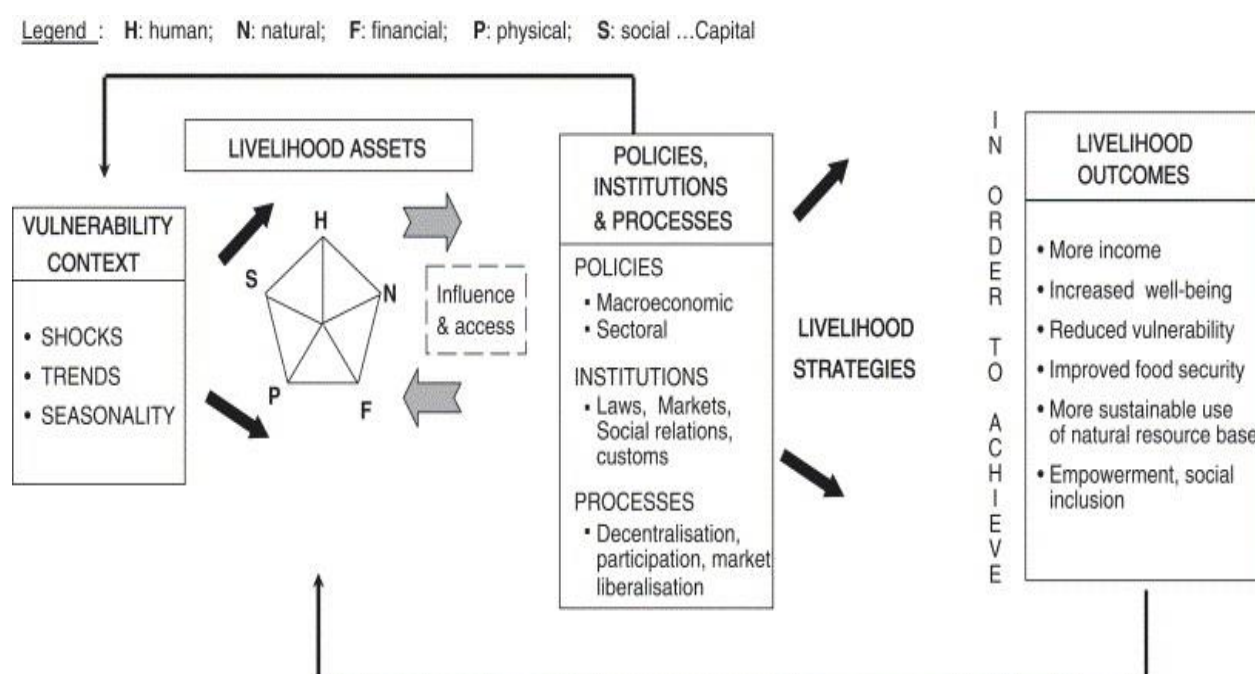
The sustainable livelihood concept has been defined as:

“A livelihood depends on the capabilities, assets (including both material and social resources) and activities which are all required for a means of living. A person or family’s livelihood is sustainable when they can cope with and recover from stress and shocks and

maintain or enhance their capabilities and assets both now and in the future, without undermining environment resources” (Carney: 1998).

The sustainable livelihoods framework, as explained in figure 4, is essentially people-centred and aims to explain (in a necessarily abstract and simplified way) the relationships between people, their livelihoods, their environments, (macro) policies, and all kinds of instructions (Neefjes, 1998a cited in Neefjes, 2000: 82). This framework is a simplification of real life. It contains some ‘feedback’ arrows that suggest flows between categories, and an overlap between the two, which suggest a strong interlink, however it is not possible to show all the links. Neefjes states that a sustainable framework picture should not be read in a ‘linear’ way, that has a starting point and a finishing point, and not even necessarily from left to right, even though it draws attention to outcomes at the right-hand side. Neefjes (2000) argues that livelihood outcomes have a strong influence on both how capitals (i.e. assets, capabilities) are built up, and also on how they are substituted for one another, although the latter happens in a particular process of pursuing livelihood strategies.

Figure 4: The DFID sustainable livelihoods framework



(Source: Odi: Natural Resource Perspectives, 1999)

Chamber and Conway (1992) argue that in order to deal with the complexities of poverty, the livelihood approach to empowering people seeks to gain an accurate and realistic understanding of people's strengths (assets or capital endowments) and to discover how they endeavour to convert these into positive livelihood outcomes. Livelihoods include not just income-earning opportunities, but also the capabilities, assets (including both material and social resources) and activities required for a means of living.

The concept of SL is an attempt to go beyond the conventional definitions and approaches to poverty eradication. These had been found to be too narrow because they focused only on certain aspects or manifestations of poverty, such as low income, or did not consider other vital aspects of poverty such as vulnerability and social exclusion. It is now recognised that more attention must be paid to the various factors and processes which either constrain or enhance poor people's ability to make a living in an economically, ecologically and socially sustainable manner. The SL concept offers a more coherent and integrated approach to poverty (Lasse, 2001: 1).

According to Lasse (2001: 6), the SL idea was first introduced by the Brundtland Commission on Environment and Development, and in 1992 United Nations Conference on Environment and Development expanded the concept, advocating for the achievement of sustainable livelihoods as a broad goal for poverty eradication.

Chambers and Conway (1992) defined sustainable rural livelihood at the household level as a livelihood which comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. A livelihood is sustainable if it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation, and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term. The authors admit that sustainable rural livelihoods have many aspects that are a combination of what a community has in terms of resources, talents and skills.

The Overseas Development Institute (ODI, 1999) states that the concept of SLA is flexible in application, but is based on certain core principles such as being people-centred, dynamic, building on strengths, developing a macro-micro link and encouraging sustainability. In addition to these principles, livelihood approaches are based on a conceptual framework that places people – particularly rural, poor people – at the centre of a web of inter-related influences that affect the following: how these people create a livelihood for themselves and

their households, how they access social, human, physical, financial and natural capital or assets, their ability to put these assets to productive use, the different strategies they adopt (and how they use their assets) in pursuit of their priorities, the policies, institutions and processes that shape their access to assets and opportunities, the context in which they live and the factors that affect their vulnerability to shocks and stress. For the purpose of this study, the researcher analysed these factors in terms of how they affect people's livelihoods.

According to Scoones (1998: 8), livelihood strategies should be understood at different levels. Of particular note is that the ownership of assets does not always translate into effective livelihood strategies. However, a balance between assets and liabilities is critical if one is to make the best use of opportunities, for example, where access to land of reasonable quality exists, credit, market and access to inputs are critical in order to expand agricultural production. Scoones adds that: "a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can [...] cope with and recover from stresses and shocks, and maintain or enhance its capabilities and assets while not undermining the base of natural resources".

In addition, Carney (1998) states that the so-called 'livelihoods approaches' of working with people supports them in building upon their own strengths and realising their own potential, while at the same time acknowledging the effects of policies and institutions as well as external shocks and trends. This approach stresses the importance of sustainability. Sustainable rural livelihoods can only be achieved if natural resources are themselves used in sustainable ways.

3.4.1. Sustainable livelihoods approach to poverty alleviation

Carney (1998) states that about 70% of the world's poor live in rural areas. Although urban poverty is rising, the correlation between poverty and remoteness from urban centres is strong in most countries and it is expected to remain so until at least the second decade of the next century. The international development target of halving the number of people living in extreme poverty by 2015 will be achievable if the problem of rural poverty is confronted head-on. Carney further argues that rural people are not only isolated from economic opportunities, they also tend to have less access to social services such as health, sanitation and education. For example, it is estimated that around one billion rural households in developing countries lack access to safe water supplies. Moreover, knowledge of rights and information about the way governments function is notably lacking in rural areas. This

therefore makes it hard for rural people to exert pressure for change in systems which have often actively discriminated against them both in the allocation of resources and in pricing policies for their produce.

According to the Overseas Development Institute Poverty Brief (1999), livelihoods approaches” work with people, supporting them to build upon their own strengths and realise their potential, while at the same time acknowledging the effects of policies and institutions, external shocks and trends. Its aim is to do away with pre-conceptions about what exactly rural people are seeking and how they are most likely to achieve their goals, and to develop an accurate and dynamic picture of them in their environment. This provides the basis for identifying the constraints to livelihood development and poverty reduction.

Lasse (2001: 11) states that these various interpretations and elaborations of the SL concept have, in one way or another inspired a number of development agencies to apply what is now becoming known as an SL approach to poverty reduction. This has emerged in response to negative experiences with conventional approaches to poverty reduction, but also as a result of recent findings regarding the nature and understanding of poverty. Three factors shed light on why the SL approach has been applied to poverty reduction. The first is the realisation that while economic growth may be essential for poverty reduction, there is no automatic relationship between the two since it all depends on the capabilities of the poor to take advantage of expanding economic opportunities. Thus, it is important to find out what precisely it is that prevents or constrains the poor from improving their lot in a given situation, so that support activities could be designed accordingly. Secondly, there is the realisation that poverty as conceived by the poor themselves is not just a question of low income, but also includes other dimensions such as bad health, illiteracy, lack of social services, and so forth, as well as a state of vulnerability and feelings of powerlessness in general. Moreover, it is now realised that there are important links between different dimensions of poverty such that improvements in one have positive effects on another. Reducing poor people’s vulnerability in terms of exposure to risk may increase their propensity to engage in previously untested but more productive economic activities, and so on. Finally, it is now recognised that the poor themselves often know their situation and needs best and must therefore be involved in the design of policies and projects intended to better their lot. Given a say in design, they are usually more committed to implementation. Thus, participation by the poor improves project performance.

The reason chosen to apply the SLA as the best theory in this study is that it has been adopted as the primary programming tool for many aid and development agencies in Southern Africa and it allows cross-scale linkages in decision-making. The approach focuses on the debate that defines SLs while highlighting the multi-dimensionality, substitution of resources between sectors and the impact of cumulative feedback within livelihoods (Adaptive Research Notes No.3a., 2004: 1).

Livelihood approaches acknowledge the connections and interactions of the micro-cosmos of the livelihood of individuals, households and/or communities with the larger socio-economic, cultural and political context at the macro and micro levels. Livelihood approaches help to reconcile a holistic perception of SL with the operational need for focused development interventions (www.poverty-wellbeing.net).

It is for that reason Ashley and Carney (1999: 7) state that the core principles underlying SLAs are that poverty-focused development activities should be:

People-centred: Sustainable poverty reduction will be achieved only if external support focuses on what matters to people, understands the differences between groups of people and works with them in a way that is congruent with their current livelihood strategies, social environment and ability to adapt.

Responsive and participatory: Poor people themselves must be key actors in identifying and addressing livelihood priorities. Development agents need processes that enable them to listen and respond to the poor.

Multi-level: Poverty reduction is an enormous challenge that will only be overcome by working at multiple levels, ensuring that micro-level activity informs the development of policy and an effective enabling environment and that macro-level structures and processes support people to build upon their own strengths.

Conducted in partnership: With both the public and the private sector.

Sustainable: There are four key dimensions to sustainability such as economic, institutional, social and environmental sustainability. All are important and a balance between them must be found.

Dynamic: External support must recognise the dynamic nature of livelihood strategies, respond flexibly to changes in people's situations and develop longer-term commitments.

In the sense of enabling poor rural people to overcome poverty, the International Fund for Agricultural Development (IFAD, 2010) states that the SLA is a way to improve understanding of the livelihoods of poor people. It draws on the main factors that affect poor people's livelihoods and the typical relationships between these factors and it can be used in planning new development activities and assessing the contribution that existing activities have made to sustaining livelihoods.

The SL framework places people, particularly poor people, at the centre of a web of inter-related influences that affect how these people create a livelihood for their households. Closest to the people at the centre of the framework are the resources and livelihood assets that they have access to and use. These can include natural resources, technologies, their skills, knowledge and capacity, their health, access to education, sources of credit, or their networks of social support. The extent of their access to these assets is strongly influenced by their vulnerability context, which takes into account trends (economy, political, technological) and shocks, (prices, production, employment opportunities). Access is also influenced by the prevailing social, institutional and political environment, which affects the ways in which people combine and use their assets to achieve their goals. These are their livelihood strategies. People are the main concern, rather than the resources they use or their governments. SLA is used to identify the main constraints and opportunities faced by poor people, as expressed by themselves. It builds on these definitions and then supports poor people as they address the constraints or take advantage of opportunities. The framework is neither a model that aims to incorporate all the key elements of people's livelihoods, nor a universal solution. Rather, it is a means of stimulating thought and analysis, and it needs to be adapted and elaborated depending on the situation (www.ifad.org).

In the sense of agriculture, the UN Food and Agricultural Organization (FAO), the International Fund for Agriculture Development (IFAD) and the World Food Programme (WFP), state agriculture co-operatives are keys to reducing hunger and poverty and co-operatives offer opportunities that smallholders could not achieve individually. The importance of agricultural co-operatives in improving the lives of millions of smallholder farmers and their families cannot be overstated. Ranging from small-scale to multi-million dollar businesses across the globe, co-operatives operate in all sectors of the economy, account for over 800 million members and provide 100 million jobs worldwide, and 20% more than multinational enterprises. In 2008, the largest 300 co-operatives in the world had

an aggregate turnover of US \$2.2 trillion, comparable to the gross domestic product (GDP) of many large countries (FAO, IFAD and WFP, 2011).

These three UN agencies add that a pillar of agricultural development and food security are co-operatives in the way that agriculture, including farming, forestry, fisheries and livestock, is the main source of employment and income in rural areas, where the majority of the world's poor and hungry people live. Agricultural co-operatives play an important role in supporting men and women who are involved in small agricultural producers and marginalized groups by creating sustainable rural employment. Producer co-operatives offer men and women smallholders market opportunities, and provide them with services such as better training in natural resources management and better access to information, technologies, innovation and extension services. In several countries, FAO provides quality seeds and fertilizers to farmers and agricultural co-operatives and works with them in applying more suitable and productive farming practices. IFAD works with local agricultural co-operatives on goat source centres that help farmers develop markets for a suitable supply of high-quality breeding goats. Under the Purchase for Progress (P4P) pilot initiative, WFP and partners are working with smallholder farmer's organisations in 21 countries to help them produce surpluses, gain access to markets and increase their incomes. In 2009, Brazil's co-operatives were responsible for 37.2 % of agricultural GDP and 5.4 % of overall GDP, and earned about US\$ 3.6 billion from exports. In Mauritius, co-operatives account for more than 60% of national production in the food crop sector and in Kenya the savings and credit co-operatives have assets worth US\$2.7 billion, which account for 31% of gross national savings (IFAD, FAO and WFP, 2011).

3.5. Method design

The researcher adopted a qualitative research method and a quantitative method which was used to present different diagrams, tables and percentages of different responses. Babbie et al. (2001) assert that the qualitative method allows researchers to search for an understanding of people's ways of doing things and the data that is generated is descriptive, which gives in-depth information about the participants. In addition, Bryman (2004) states that this method seeks to understand issues from the viewpoints of the participants, to describe the social setting of the participants so that the participants' views are not isolated from their contexts, and to understand the participants' thoughts, feelings and behaviour, which will be examined along a developmental continuum. Interviews are useful in capturing this sort of data. Lastly,

the qualitative method attempts to conduct research in a relatively structured manner (Bryman, 2004). Prior research was considered in this study. Babbie et al. (2001) argue that qualitative researchers have ‘open minds’ in that they realise that all data is value-laden. As this dissertation seeks to investigate whether or not a community-based co-operative can be a viable alternative form of economic development for the INK community in eThekweni Municipality (KwaZulu-Natal Province), South Africa, the researcher finds that the qualitative research design is more suitable than a quantitative design.

Welman and Kruger (2003) state that qualitative research design fundamentally deals with collection and analysis of non-numerical information, with the focus on the interpretation of beliefs, experiences and meanings the respondents attach to the phenomenon being researched.

3.6. Project area

The study was conducted within the INK area (i.e. Inanda, Ntuzuma and KwaMashu), which is part of the eThekweni Municipality, in the province of KwaZulu-Natal. The Department of Economic and Social Development in KwaZulu-Natal was also- included in the survey, as was the National Co-operative Association of South Africa (NCASA). In Kenya, the focus areas were the Co-operative College (CC), the Co-operative Bank of Kenya (CBK) , the Savings and Credit Co-operative Organisations in Nairobi (SACCO), the National Co-operative Housing Union (NACHU), the Co-operative Insurance Company (CIC) and the Kenya Rural Savings and Credit Co-operative Societies Union (KERUSSU). The study was conducted in all the above-cited areas.

3.7. Study sample

According to Burns (2000), sampling is the process whereby the researcher selects a few people or subjects from the population to represent a larger group and the outcomes from the interviews and questionnaires are then applied to the larger group. The non-probability sampling method was appropriate to collect data for this study and the purposive or judgemental method was used. The primary consideration in the purposive sampling method is the judgement of the researcher as to who can provide the best information to achieve the objectives of the study (ibid). In purposive sampling, the researcher only goes to those people

who are, in her/his opinion, likely to have the required information and would also be willing to share that information with the researcher (ibid).

The sample in this study included people of both genders as well as people of various ages and races. The major targeted population was the INK community within KwaZulu-Natal as well as staff members of KECOCO, COBK, and the SACCOs in Nairobi. At the time of the research, the researcher was not sure about how large the said sample group was likely to be as there was some misunderstanding between co-operative members in the INK area which did cause a delay for sample determination. After one year of data collection, the researcher managed to contact the INK /ABM management and was taken to the INK Secondary Co-operative secretary who managed to involve him in their activities and to take part in the five co-operative associations' monthly meetings. This provided the final sample group consisting of members from the five associations. The sample was made up of thirty people from INK, government officials and Nairobi areas. Fifteen questionnaires were distributed to the participants in the INK area and 12 for those in Nairobi, and each questionnaire took no longer than 30 minutes to complete. As a result there were three categories of participants, namely category A, B and C. Category A included local (people) members of co-operatives, category B consisted of government officials and category C included Kenyan core co-operatives such as COCOK, COBK, KUSCCOK and the KERUSSU. The study focused on five associations at INK. Three members were selected; these included the chairperson and two ordinary members from each association making a total of 15. In Kenya, the researcher selected 12 interviewees from the core co-operative organisations. Two were picked from the COCOK as the college provides training to the co-operative members. Due to the financial support the co-operative associations received from COBK, two staff members were part of the interview. The KUSCCO also participated in the interview as they deal with saving and credit of the co-operative organisation. Two other interviewees were from the KERUSSU, two from the NACHU and the last two from the CIC

Table 1: Study sample

| | | |
|-------|---|----|
| INK | Members of co-operatives | 15 |
| | Government officials | 3 |
| KENYA | Co-operative College of Kenya | 2 |
| | Co-operative Bank of Kenya | 2 |
| | Kenya Union of Saving and Credit Co-operative Organisation | 2 |
| | Kenya Rural Saving and Credit Co-operative Union in Nairobi | 2 |
| | National Co-operative Housing Union | 2 |
| | Co-operative Insurance Company | 2 |

3.8. Data collection

Both primary and secondary data sources were utilised during the data collection stage of this research. Semi-structured interviews and questionnaires were employed so as to obtain the views of the participants about co-operatives. David and Sutton (2004) state that primary data is information that is collected by the researcher and is thus original, whereas secondary data is written information (i.e. documented) that the researcher obtains from previous studies. The process of collecting data took three months as some data was collected in Kenya (See table 1 above).

The first two months were mainly dedicated to interviews, while the remaining one month was assigned to administering the questionnaires. According to Denscombe (2007), semi-structured interviews allow for flexibility within the data collection process as the researcher can address other issues when conducting such interviews.

Due to the time constraint, in Kenya the interviews were monitored by the researcher and two officials from each co-operative organisation were interviewed because they were initiators of the co-operative association in the country. In INK, only questionnaires were handed to the selected members of the five associations for self-administration to make them feel free when expressing themselves. Two government officials were from the INK ABM management as

the area of study falls under their management, and one comes from KwaZulu-Natal Province Department of Agriculture because the study is on agricultural co-operatives.

3.9. Data analysis

The data collected was analysed using both the qualitative and quantitative methods of analysis. The qualitative data was analysed through the description of participants' answers, which lead to conclusions being drawn from their views. The quantitative data was presented by way of different diagrams such as frequency diagrams, tables and percentages of different responses (De Vos, 2003). In addition, Jorgensen (1989) asserts that data analysis is a process whereby data is divided into manageable segments and related aspects are put together so as to facilitate the analysis process and help conclude the findings of the study.

3.10. Conclusion

This chapter outlined community development, sustainability and development theories. The chapter also looked at case studies of sustainable co-operatives in Africa using the livelihood approach as well as the lessons that can be drawn from the Kenyan co-operatives model. The qualitative research design employed in this study has been given an in-depth explanation. Questionnaires were distributed to the co-operatives members, and non-members in INK to express themselves how they feel about co-operatives. During the time the researcher collected the questionnaires, he managed to have focus groups meeting with the association members of co-operatives where they were discussing challenges they have been facing with government departments. Members of co-operative institutions were interviewed in Kenya for more clarity on co-operatives movements and their role in rural development.

CHAPTER FOUR

RESEARCH FINDINGS

4.1. Introduction

The findings that are presented in this chapter are a product of more than six months of engagement with the co-operative associations in Kenya and in Inanda, Ntuzuma and KwaMashu (INK), and a wider search for relevant information.

The chapter begins with an overview of the case studies which provide the situation of co-operatives worldwide, in Africa, in Kenya and in South Africa, specifically in the INK area where the case studies were analysed for the better understanding of the co-operative.

4.2. Case studies

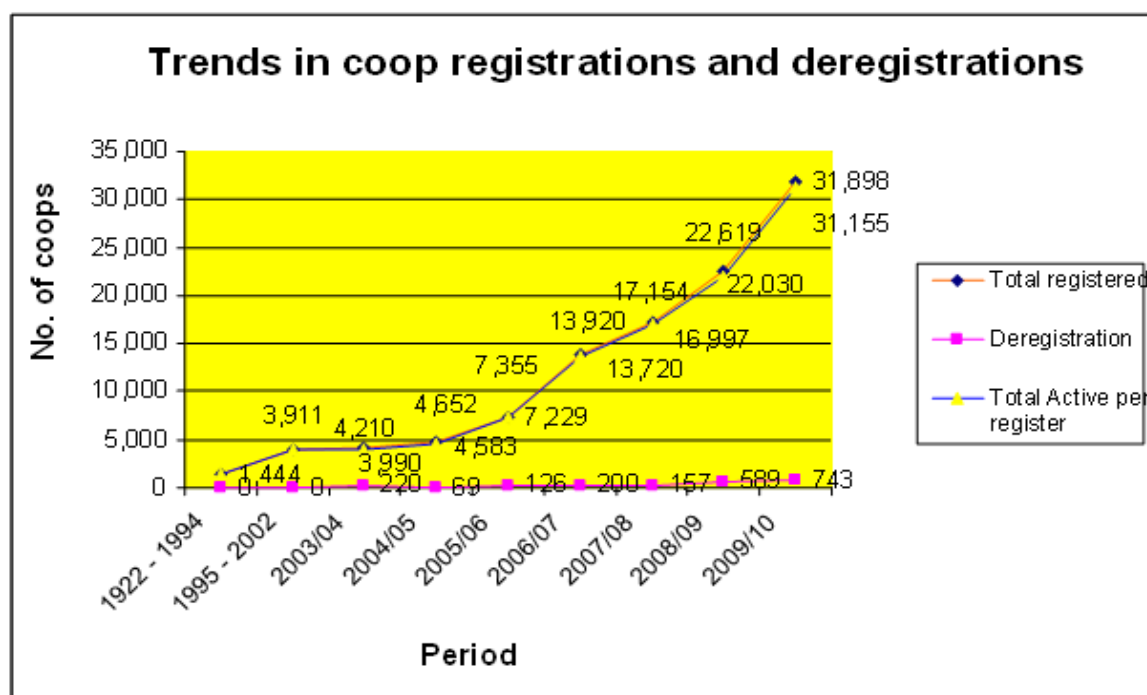
According to Food and Agriculture Organization (FAO, 2012), co-operatives are present in all countries and all sectors, including agriculture, food, finance, health care, marketing, insurance and credit. It is estimated that one billion individuals are members of co-operatives worldwide, generating more than 100 million jobs around the world. In agriculture, forestry, fishing and livestock, members participate in production, profit-sharing, cost-saving, risk-sharing and income-generating activities that lead to better bargaining power for members as buyers and sellers in the market place. The World Food Day 2012 focuses on agricultural co-operatives in particular, and their contribution to poverty and hunger reduction. After all, of the estimated 925 million hungry people in the world today, 70% live in rural areas where agriculture is the economic mainstay. Agricultural and food co-operatives are already a major tool against poverty and hunger, but they could do much more. It is time to strengthen these organisations and facilitate their expansion while creating a favourable business, legal policy and social climate in which they can thrive (Ibid).

Co-operatives have a long and successful tradition around the world and have proven to be amazingly flexible in meeting a wide variety of social and economic human needs. International experience shows that countries which have achieved economic development also have a vibrant and dynamic co-operative sector, contributing substantially to the growth of their economies. For example, in Kenya, co-operatives contribute 45% of the Gross

Domestic Product (GDP) and 31% of the total national savings and deposits (Department of Trade and Industry, 2012). In New Zealand, 22% of the country's GDP is generated by co-operative enterprises. In addition, co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market. They hold 70% of the meat market, 50% of the farm supply market, 70% of the fertiliser market, 75% of wholesale pharmaceuticals and 62% of the grocery market. In Spain, the co-operatives movement produces more than €70 billion in turnover and the majority of these co-operatives are worker co-operatives (Department of Trade and Industry, 2012).

The International Co-operative Alliance Report (2008, cited in DTI, 2012) states that international co-operative movements represent over 800 million members, more than the total population of the entire European continent. Four of every 10 Canadians are members of at least one co-operative. In Quebec, 70% of the population constitute members of co-operatives, while in Saskatchewan, 56% of the population constitute co-operative members. In the US, more than 100 million people or 40% of the population comprise members of co-operatives. In Italy, the number of people employed by co-operatives rose by 60, 1% in the 1990s, which is against a general average of 9,1%. In Germany, one out of four is a member of a co-operative, with more than 20 million people being members. In Japan, one out of every three families is a member of a co-operative. In Singapore, 50% of the population constitute members of co-operatives. In Malaysia, 24% of the population are members of co-operatives. In Spain, the co-operatives movement represents two million workers and another 10 million people, who derive their livelihoods from co-operatives. In Bangladesh, 45% of residents receive their electricity through service co-operatives.

Figure 5: Trends in coop registrations and deregistration



(Source: Registrar of Co-operatives, *Statistics of Co-operatives in South Africa, 1922 – 2012*)

4.3. African experiences

The history of co-operative development in Africa has resulted in two popular, but very contradictory conclusions. On one hand, there is the view that co-operatives in Africa have failed to live up to the challenges of developing the continent. They ceased to be development agents when they were hijacked by government and other state agencies. As government instruments, they do not resonate with the local culture and have subsequently performed poorly as evidenced by the many malfunctioning co-operatives. On the other hand, there is the option that co-operative entrepreneurship is the way forward for African development. Those who hold this view have maintained that co-operatives as private enterprises do also fit very well with communal cultures in Africa. This combination of business enterprises with the concern for communal welfare has seen many co-operatives help poor people out of poverty and create wealth in their communities (Develtere et al., 2008).

According to Develtere (2008), there is never a fresh start for anything. For the co-operative sector in Africa, this is also true. With a resurgence of interest in co-operative enterprises

among grassroots groups, government agencies and even donors, it was seen that old co-operatives were being revived while new ones are being created at a rapid pace. But all parties involved are operating in an environment that is to a large extent culturally and institutionally influenced by past developments. The actors involved, as motivated as they might be to start anew or to avoid past mistakes, do not have unlimited room for manoeuvre since they are conditioned by past experiences, cultural habits and patterns, established relations as well as legal and institutional frameworks. So history matters, and it attempts to trace the co-operative traditions to the colonial origins or experiences in Africa. In this manner, the following five co-operative traditions in Africa are well known: the British co-operative tradition, the French co-operative tradition, the Belgian co-operative tradition and the Portuguese co-operative tradition. These four colonial powers did, in different ways, introduce modern co-operatives in their former colonies.

Mudibo (2005) states that, due to the liberalization system in Africa, harmonizing standards for co-operatives in terms of accounting, financial and non-financial disclosure and other principles has challenges. The author adds that the co-operative movement has faced numerous operational challenges in the past decade especially due to sudden government withdrawal from its previous extensive support to the rural sector and also due to the negative effects of economic liberalization in the country. Mudibo (2005) cites the following most critical challenges facing co-operatives in the rural sector, among others:

- i. Lack of standardized accounting and prudential standards.
- ii. Lack of concessionary credit facilities previously given by government with donor contribution.
- iii. High capital cost brought about by liberalization of the financial sector.
- iv. High farm input cost as a result of liberalization of international trade (import-export) and also liberalization of market players.
- v. Decontrol of marketing of local commodities namely agricultural produce which has brought high competition.
- vi. Withdrawal of government production support services in the agricultural sector especially in areas of artificial insemination, clinical services (veterinary services), dip management, extension services and dissemination of research findings through education of farmers.
- vii. General lack of preparedness by farmers and co-operative leaders on the challenges and opportunities brought by economic liberalization.

- viii. Lack of qualified staff and the high levels of illiteracy, and yet co-operatives are democratic in nature.
- ix. Co-operative laws have been adopted from some of the developed economies and yet the realities on the ground are different.
- x. HIV/AIDS scourge has affected the membership, savings and development of co-operatives.

In acknowledging that economic liberalization is here to stay and African farmers and co-operative members in particular must be prepared to face the challenges arising from it. It is expected that governments should not abandon all -previous agricultural development policies to accommodate liberalization (market economy) in their entire activities. Mudibo views the agricultural sector as a very vital sector of African economies and the co-operative sector as one of the means through which various agricultural policies can be effectively implemented.

This study focuses on two developing countries, namely Kenya and South Africa.

According to the South African Department of Trade and Industry (2012) section 1, international best practice and experience, Kenya is the only African country with good co-operative practice and experience after Canada, Spain, Italy, India and Bangladesh.

The factors that have led to the success of the co-operative movement in Kenya have been peace and tranquillity in the country and a conducive environment set out by the government, co-operative culture and the support of the development partners. Others factors have been sound corporate policies and regulatory framework, regular education and training and appropriate linkages between the parastatals and the private sector on sound business principles (Mudibo, 2005: 11).

Due to the above reasons, the South African co-operative movement especially the INK Agricultural and Multipurpose Secondary Co-operatives has more to learn from Kenya.

4.3.1. Kenyan experiences

The co-operative movement of a country is usually made visible by its confederation, federations or apex-body, its support structures and the promotional institution of co-operatives in related government policy domains. Kenya uses the unified model with a four-tier structure: confederation, federation (national activity/sector based apexes), co-operative local unions (secondary co-operatives) and primary co-operatives. In Kenya, the Kenya

National Federation of Co-operative's (KNFC) membership includes national co-operative organisations as well as some co-operative unions (Pollet, 2009).

Kenya has a long history of co-operative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. Co-operatives are recognised by the government to be a major contributor to national development, as they are found in almost all sectors of the economy. With the total population of Kenya at approximately 37.2 million (Republic of Kenya, 2008a: 13), it is estimated that 63% of Kenya's population participate directly or indirectly in co-operative-based enterprises (Ministry of Co-operative Development and Marketing, 2008: 4). Indeed, the Ministry of Co-operative Development and Marketing estimates that 80% of Kenya's population derives their income directly from co-operative activities (Wanyama, 2009: 3).

According to Wanyama (2007), co-operatives in Kenya are broadly classified into two main categories namely, agricultural and non-agricultural. Wanyama states that agricultural co-operatives are mainly involved in the marketing of produce, an activity that has seen some of them get into the manufacturing sector through primary processing of produce before they are marketed. In the agricultural sector, co-operatives previously handled over 72% of coffee sales, 95% of cotton sales, 76% of dairy produce sales and 90% of pyrethrum sales. In addition to these, there are also sugarcane, fishery, farm purchase and multi-produce co-operatives in the agricultural sector. Whereas fishery co-operatives play the role of marketing members' fish, farm purchase co-operatives mobilize resources to purchase land for the members. In the non-agricultural domain, co-operative activities are found in the financial, housing, insurance, consumer, crafts and transport sectors. In the financial sector, savings and credit are predominant activities of co-operatives while co-operatives in the housing sector have the vision of affordable shelter as their key activity.

Given that Kenya has an activity-based co-operative system, the national co-operative organisations (NACOs) are based on specific types of activities, including banking, insurance, dairy, savings and credit, housing and coffee, among others. Currently, NACOs include the Kenya Union of Savings and Credit Co-operatives (KUSCCO), Co-operative Insurance Company CIC, Kenya Planters Co-operative Union (KPCU), the Co-operative Bank of Kenya (COBK), National Co-operative Housing Union (NACHU), and Kenya Rural Savings and Credit Societies Union (KERUSSU). Members of these organisations are mainly co-operative unions and some primary co-operatives. The Co-operative College of Kenya

(CCK) started in 1969 as a department in the Ministry of Co-operative Development, before its transformation into a semi-autonomous government parastatal through an Act of Parliament in 1995. It is now considered in the co-operative movement as one of the NACOs (Wanyama, 2009: 8).

Table 2: Member of co-operative societies by types of society, 2004-2010

| Type of society | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* |
|--------------------|-------|-------|-------|-------|-------|------|-------|
| Agriculture | | | | | | | |
| Coffee | 519 | 576 | 594 | 658 | 672 | 883 | 881 |
| Cotton | 5 | 4 | 9 | 9 | 11 | 33 | 34 |
| Pyrethrum | 62 | 62 | 65 | 66 | 79 | 77 | 78 |
| Sugar | 52 | 52 | 55 | 52 | 62 | 53 | 54 |
| Dairy | 144 | 200 | 254 | 255 | 306 | 342 | 343 |
| Multi-purpose | 38 | 39 | 40 | 108 | 130 | 124 | 124 |
| Farm purchase | 50 | 50 | 51 | 59 | 71 | 69 | 69 |
| Fisheries | 11 | 11 | 11 | 10 | 12 | 40 | 42 |
| Other agricultural | 143 | 146 | 159 | 101 | 121 | 123 | 131 |
| Total agriculture | 1,024 | 1,140 | 1,238 | 1,318 | 1,464 | 1744 | 1,756 |
| Non-agriculture | | | | | | | |
| SACCOs | 3,642 | 4,602 | 5,444 | 5,821 | 6,030 | 6100 | 7,244 |
| Consumer | 45 | 45 | 49 | 41 | 49 | 47 | 48 |
| Housing | 27 | 28 | 34 | 31 | 37 | 41 | 111 |
| Craftsmen | 14 | 15 | 17 | 23 | 28 | 24 | 24 |
| Transport | 8 | 9 | 11 | 3 | 4 | 16 | 16 |

| | | | | | | | |
|------------------------|-------|-------|-------|-------|-------|------|--------|
| Other non-agricultural | 225 | 236 | 259 | 236 | 282 | 293 | 325 |
| Total non-agriculture | 3,961 | 4,935 | 5,814 | 6,155 | 6,430 | 6521 | 7,768 |
| Unions | | | | 569 | 597 | 648 | 650 |
| Grand total | 4,985 | 6,075 | 7,052 | 8,042 | 8,491 | 8913 | 10,174 |

Source: Ministry of Co-operative Development and Marketing, Statistical Abstract, 2011

Table 3: Number of societies and unions by type, 2004-2010

| Type of society | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* |
|--------------------|-------|-------|-------|-------|-------|------|-------|
| Agriculture | | | | | | | |
| Coffee | 498 | 523 | 542 | 546 | 548 | 555 | 567 |
| Cotton | 59 | 59 | 59 | 59 | 59 | 59 | 59 |
| Pyrethrum | 142 | 146 | 146 | 146 | 146 | 146 | 146 |
| Sugar | 149 | 152 | 152 | 152 | 152 | 159 | 162 |
| Dairy | 241 | 248 | 252 | 258 | 264 | 273 | 278 |
| Multi-purpose | 1,798 | 1,818 | 1,835 | 1,876 | 1,923 | 1894 | 1,925 |
| Farm purchase | 109 | 111 | 113 | 114 | 114 | 114 | 114 |
| Fisheries | 65 | 66 | 66 | 67 | 67 | 67 | 71 |
| Other agricultural | 1,154 | 1,181 | 1,188 | 1,196 | 1,204 | 1317 | 1,364 |
| Total agriculture | 4,215 | 4,304 | 4,353 | 4,414 | 4,477 | 4584 | 4,686 |
| Non-agriculture | | | | | | | |
| SACCOs | 4,474 | 4,678 | 4,876 | 5,122 | 5,350 | 5628 | 6,267 |
| Consumer | 180 | 181 | 182 | 183 | 183 | 184 | 184 |

| | | | | | | | |
|------------------------|--------|--------|--------|--------|--------|-------|--------|
| Housing | 495 | 512 | 538 | 572 | 596 | 636 | 732 |
| Craftsmen | 86 | 88 | 89 | 89 | 89 | 89 | 89 |
| Transport | 28 | 29 | 39 | 49 | 58 | 64 | 64 |
| Other non-agricultural | 1,068 | 1,075 | 1,093 | 1,107 | 1,115 | 2094 | 1,131 |
| Total non-agriculture | 6,331 | 6,563 | 6,817 | 7,122 | 7,391 | 7722 | 8,467 |
| Unions | 96 | 99 | 99 | 99 | 100 | 101 | 103 |
| Grand total | 10,642 | 10,966 | 11,269 | 11,635 | 11,968 | 12407 | 13,256 |

Source: Ministry of Co-operative Development and Marketing, Statistical Abstract, 2011

Tables 3 and 4 show a general growth in the membership of co-operatives and the number of co-operative societies and unions in Kenya by type over the years, but the main area of significant growth has been the non-agricultural sector, especially SACCOs.

Despite the fact that memberships in co-operatives is voluntary and open without any discrimination by gender, membership in Kenyan co-operatives is generally skewed in favour of males. Though the exact figures of female co-operative members are not available, some studies in certain types of co-operatives provide some indicator of their participation. For example, a study on agricultural marketing societies in 2001 showed that only 26% of the total members were active female members (ICA, 2002: 11), which is still far below that of males. Possible explanations for this are cultural factors that tend to exclude women from ownership of property, particularly in the agricultural sector where farmers are the owners of land. Although women are the dominant producers in this sector, men are the majority shareholders of the agricultural societies because they are the legal owners of the family land on which women work. In other economic sectors where such forms of discrimination do not exist, like in wage and salaried employment, female membership in co-operatives, especially SACCOs, is higher (Republic of Kenya, 1997a: 5, cited in Wanyama, 2007). But still the proportion of females falls below that of males because the number of women in employment is low (Develtere et al., 2008: 97).

Table 4: Total turnover of societies and unions, 1998-2004 (Kenya Shillings, Millions)

| Co-operative type | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|------------------------|-------|--------|-------|-------|-------|--------|--------|
| Coffee | 7 188 | 7 661 | 7 741 | 6 928 | 2 976 | 2 538 | 2 4 92 |
| Cotton | 5 | 5 | 5 | 3.8 | 3.2 | 1.0 | 1.0 |
| Pyrethrum | 128 | 129 | 129 | 122 | 122 | 114 | 102 |
| Sugarcane | 332 | 340 | 345 | 344 | 341 | 218 | 209 |
| Dairy | 1501 | 1530 | 1529 | 1268 | 1325 | 1290 | 1400 |
| Multi-produce | 126 | 128 | 129 | 225 | 226 | 83 | 84 |
| Farm purchase | 58 | 59 | 60 | 60 | 60 | 0.5 | 5 |
| Fisheries | 5 | 6 | 7 | 7 | 6 | 522 | 339 |
| Other agricultural | 288 | 288 | 292 | 296 | 296 | 239 | 256 |
| Total agricultural | 9631 | 10146 | 10237 | 9254 | 5355 | 5005 | 4888 |
| SACCOs | 3381 | 3386 | 3389 | 4882 | 4886 | 8261 | 8359 |
| Consumer | 8 | 9 | 9 | 8 | 8 | 2 | 4 |
| Housing | 7 | 8 | 8 | 8 | 10 | 54 | 47 |
| Craftsmen | 40 | 42 | 43 | 42 | 43 | 158 | 144 |
| Transport | 25 | 26 | 26 | 25 | 24 | 2 | 3 |
| Other non-agricultural | 52 | 54 | 56 | 56 | 57 | 27 | 32 |
| Total Non-agricultural | 3515 | 3527 | 3533 | 5023 | 5030 | 8504 | 8589 |
| UNIONS | 197 | 198 | 269 | 389 | 389 | 963 | 983 |
| GRAND TOTAL | 13343 | 138711 | 14039 | 14666 | 10774 | 13 509 | 13477 |

Source: Ministry of Co-operative Development and Marketing, Statistics Unit

Table 3 shows that the performance of agricultural co-operatives, with the exception of dairy co-operatives, has generally shrunk to the extent that the turnover of SACCOs in 2004 almost doubled the combined income of all agricultural co-operatives. The fact SACCOs are the prime movers of the co-operative sector is illustrated by the fact that their turnover in 2004 constituted 62% of the total turnover of all co-operatives in the country. This is partly due to the mushrooming of SACCOs in the formal wage employment sector, which stands out as the most vibrant in the country rather than the agricultural marketing co-operatives that were dominant up to the end of the 1980s. Data in Table 4 below shows the ten leading SACCOs (in terms of annual turnover) in 2005 to demonstrate their vibrancy.

Table 5: Top ten SACCOs in annual turnover, 2005

| Name of SACCO | Membership | Number of staff | Annual turnover (in Kshs; 1 US\$ = 70 Kshs) |
|--------------------------|------------|-----------------|--|
| Mwalimu SACCO Ltd. | 44, 400 | 219 | 711 562, 812 |
| Harambee SACCO Ltd | 84, 920 | 235 | 514, 276, 669 |
| Afya SACCO Ltd. | 44, 879 | 283 | 483, 599, 495 |
| Ukulima SACCO Ltd. | 35, 048 | 138 | 284, 707, 899 |
| Kenya Bankers SACCO Ltd. | 14, 800 | 54 | 246, 000, 000 |
| Stima SACCO Ltd. | 14, 789 | 38 | 235, 500, 000 |
| Gusii Mwalimu SACCO Ltd. | 13, 042 | 48 | 219, 506, 484 |
| Kenya Police SACCO Ltd. | 6, 575 | 74 | 156, 790, 546 |
| Teleposta SACCO Ltd. | 16, 319 | 58 | 146, 638, 556 |

Source: Annual reports of the SACCOs

The vibrancy of SACCOs is further illustrated by the fact their financial strength has enabled them to replace agricultural marketing co-operatives as the leading shareholders in the COBK – the fourth largest bank in Kenya. With proper management and leadership integrity, SACCOs stand a higher chance of sustainability for two reasons that have dogged agricultural co-operatives. First, they largely rely on their own financial resources to transact their activities, thereby avoiding the pitfall of dependency. Secondly, being in the financial

sector, their services will always remain in demand unlike agricultural co-operatives that are dependent on the performance of the agricultural sector.

In summary, in the Kenyan case study, the researcher relies on two successful co-operatives which give evidence of the improvement, performance and contribution to development, and have also initiated new business innovations that are affording their members a livelihood.

The COBK is among the best examples of co-operatives that survived liberalization. The bank has not only been instrumental in providing banking services to the entire movement, but has also been the source of affordable credit to the co-operative movement. With a capital base of over Kshs. 18.05 billion (US\$. 240 million), an asset base of over Kshs. 165 billion (US\$. 2.2 billion) and employing over 1,400 staff, the bank is the third largest bank in Kenya. Its continued good performance may be exemplified by its rising profitability. Whereas its profit before tax in 2009 stood at Kshs. 3.74 billion (US \$. 49.87 million), it grew to Kshs. 5.77 billion (US\$. 76.93 million) in 2010 and to Kshs. 6.36 billion (US\$. 84.8 million) in 2011 (Co-operative Bank of Kenya Ltd, 2012). These are clear indicators of remarkable profitability by the bank, which has not just afforded members a return on their investment, but has also created employment opportunities for many people and facilitated the provision of financial services in the country.

The second case study is that of Githunguri, which was conducted by Wanyama (2010). Wanyama found that Githunguri Dairy Farmers Co-operative Society (hereafter Githunguri), was one of the co-operatives that thrived through neo-liberalism. The co-operative was formed in 1961 through a state initiative. Its membership grew from 31 to about 9, 000 by 1998. But since 2004, there has been a tremendous turnaround in the fortunes of the cooperative. Membership of the co-operative now stands at over 17,000 and demand by new dairy farmers to join is overwhelming. The availability of a market for milk, the better prices that the co-operative pays to members for their milk as well as the regular payment for delivered produce have served to improve members' loyalty to the co-operative. Moreover, members enjoy other services like artificial insemination, extension and animal feeds that are stocked in its 31 stores that straddle its area of operation. These services are available to members on credit that is recovered from the sale of their milk. These activities have seen tremendous improvement in milk production by members, to which the co-operative has responded by offering competitive prices and promptly paying for members' produce. The co-operative has an annual turnover of over 3 billion Kenya shillings (US\$. 42. 86 million)

and collects an average of 170,000 litres of milk per day, up from 25,000 litres in 1999. It has several vehicles for transporting milk that is collected from 41 centres that straddle the Githunguri division of Kiambu District to its plant in Githunguri town. The collected milk is processed into six main branded products that are sold in Nairobi and other towns in the country. The products are pouch fresh milk, yoghurt, ghee, butter, cream, fermented sour milk and long life milk. The market share of these products is estimated at 30% in Nairobi and its environs and 14% nationally (Wanyama, 2012: 21).

Wanyama 2008 also states that the expansive activities of the co-operative are taken care of by a staff of about 300 employees. Low skilled positions are recruited from within Githunguri division, but management staff is sought nationally and appointed competitively on the basis of professional qualifications. Employees have formed a workers union that negotiates a collective bargaining agreement (CBA) with the management of the co-operative for improved remuneration. This is increasingly enabling the co-operative to attract and retain competent staff, relative to the era of state control recruitment of staff which was dependent on the discretion of the Commissioner of Co-operative Development.

In the case of an individual member, integrity, competence and commitment are required. Internally, it is crucial to observe the structure, continuity, balance in the composition of the board, and accountability in a co-operative. The board members need to ensure transparency and compliance with the regulations (ibid).

With the support of Kenya Centre for Corporate Governance (KECCG) a code of best practices and corporate governance in Kenya has been developed and the same could be replicated in other African countries such as Uganda, Tanzania, Rwanda, Burundi and even South Africa. Co-operative governance is part of the new mandate of the Ministry of Co-operative Development and Marketing. Aspects that need urgent attention include enhancing legislation for effective supervision and issues relating to borrower domination and attendant rules, credit rationing and the role of financial intermediaries in a liberalized environment.

4.3. 2.The South African case study

According to the Co-operatives Development Strategy of South Africa (2004) many South Africans, especially within the black community, are increasingly pursuing collective and co-operative forms of enterprises to meet their social and economic needs. The Co-operatives Development Strategy of South Africa states that:

Faced with massive economic restructuring and unemployment or underemployment, millions of South Africans are discovering the potential of the workers co-operative, a collective entrepreneur model (rather than that of an individual entrepreneur) that provides decent and sustainable employment and a democratic work place.

In the context of a private banking system that excludes the majority of South Africans from financial services and the proliferation of exploitative micro-lenders, workers and their communities are pursuing collective alternatives. By forming their own financial co-operatives, South Africans are mobilising their own capital and addressing their savings and credit needs at reasonable interest rates.

In the context of high-cost bond housing that is out of reach of the poor and with the phenomena of *vezanyawo* (where your feet show) houses (housing through collective savings), black women are coming together to build their own capital and collectively seek government support to build decent and affordable houses for their members. The rise in housing co-operatives and housing associations indicates that South Africans are taking back control of the housing development process.

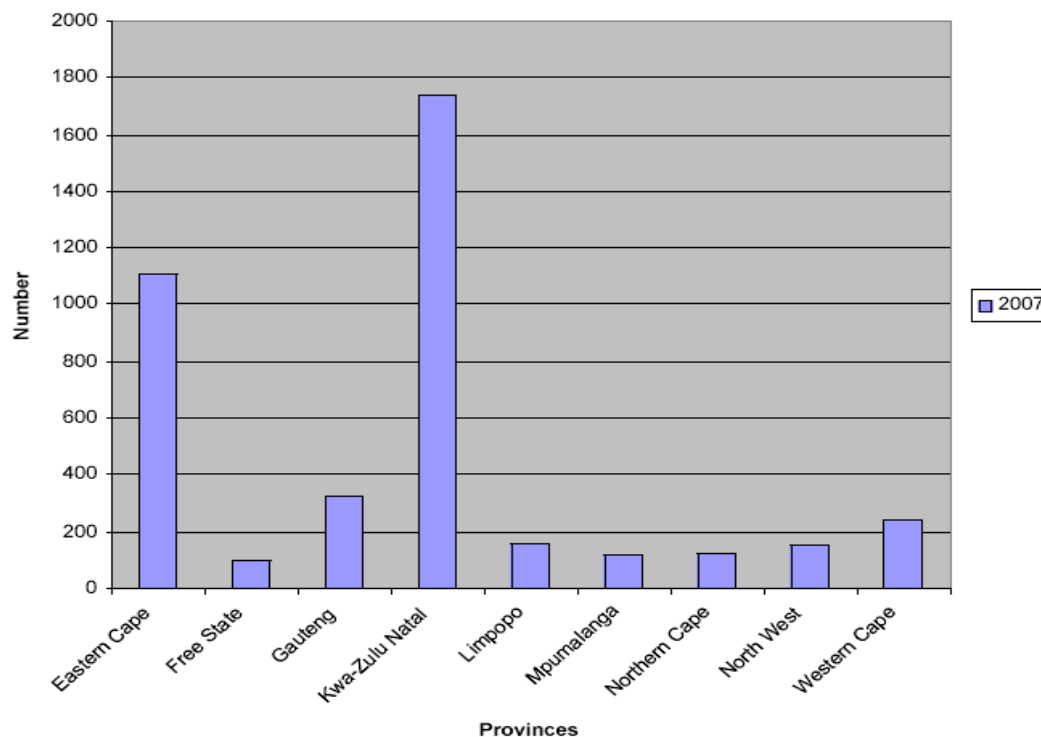
As food prices rise, communities are establishing collective bulk buying schemes as a way to provide their members with quality goods at lowest prices. These schemes include *stokvels* and consumer co-operatives.

In a situation of high input costs and poor access to markets, various enterprises from spaza shops to large scale commercial farmers have formed marketing and supply co-operatives to address the marketing and supply needs of their members.

According to the Co-operative List, Registrar of Co-operatives (2007), provincial breakdown on co-ops, the aggregate figure for co-operatives in South Africa amounted to 4061, with most co-operatives developing as worker and multipurpose co-operatives, followed by agricultural co-operatives.

The growth and concentration of co-operatives are mainly in two provinces in which there is a high concentration of poor rural population: KwaZulu-Natal and the Eastern Cape.

Figure 6: Provincial breakdown of SA co-operatives



(Source: Co-operative List, Registrar of Cooperatives, 2007)

The Department of Trade and Industry (2012) states KZN has a strong political commitment from the provincial leadership to effectively promote co-operatives. Institutionally, the province has created a highly resourced chief directorate dedicated to focus on the promotion of co-operatives. Secondly, each district in the province has a well-resourced office geared toward the promotion of co-operatives and a huge investment (R160 million per annum) has been dedicated to co-operative development alone. From this amount, 60% is dedicated to non-financial support, reflecting a high emphasis on non-financial support as a necessary requirement for the success and sustainability of co-operatives (DTI, 2012). This non-financial support is provided from the pre-incorporation level until post-funding (after-care), and is a compulsory requirement for financial support provided through a strong partnership with all Further Education and Training (FET) Colleges in the province (DTI, 2012).

The DTI (2012) also adds that, while the KZN model has proven to be successful in terms of new entrants, nevertheless, there are some challenges that confront this model. These challenges, among others, include poor debt repayment rates from co-operatives to Ithala Bank, which is threatening to undermine the loan book, conflict among members of co-operatives, threatening to undermine the sustainability of co-operatives in the province, lack

of procurement opportunities from local government for co-operatives, lack of compliance by co-operatives with the Co-operatives Act and hostility from mainstream business, in the form of overpricing of raw materials and denial of access to markets for co-operatives. This also calls for the model to be further refined, but nonetheless, some valuable lessons can be drawn from it.

Findings from this study reveal that support to co-operatives from South African government is not divided accordingly among co-operatives. The INK area has been going through a lot of challenges such as non-availability of land, no access to finance, no skills development to the community to help them to know the meaning and objectives of co-operatives and lack of agricultural materials to mention but a few. For these reasons this study took longer than expected. The researcher was obliged to be part of the five associations' monthly meetings for three months in order to assist and manage to set up an INK Agricultural and Multipurpose Secondary Co-operatives election committee.

Figure 7: 2012 Co-operatives conference in Limpopo



Source: Draft Integrated Co-operative strategy: Limpopo 2012

In his address, the Minister of Agriculture and Land Affairs states that: “As a country, we have been grappling with issues of how to breathe life into our rural communities and we have identified the development of co-operatives as a vehicle to achieve the five pillars of the Land and Agrarian Reform Programme (LARP) which are: redistribution of 5 million

hectares of white-owned agricultural land to 10 000 new agricultural producers, increase black entrepreneurs in the agri-business industry by 10%, provide universal access to agricultural support services to the target groups including co-operatives, the LETSEMA-ILIMA Campaign to increase agricultural production by 10-15% and increase agricultural trade by 10-15% . The LARP, therefore, seeks to ensure that co-operatives in the sector are able to participate in the mainstream economy, through the creation of opportunities for an effective integration of small scale producers, traders and processors into the formal markets along the entire value chain and link co-operatives with knowledge institutions, authorities and other institutions involved in agri-business and create cluster co-operatives in integrated processing operations ensuring a farm to fork set up. Co-operatives are there to compliment other government initiatives such as land reform, provide a useful model to the sub-region on agro-industrial development, creation of agri-business and agri-input suppliers and serving as marketing hubs and communication service centres for emerging farmers” (Minister for Agriculture and Land Affairs in South Africa, 2009).

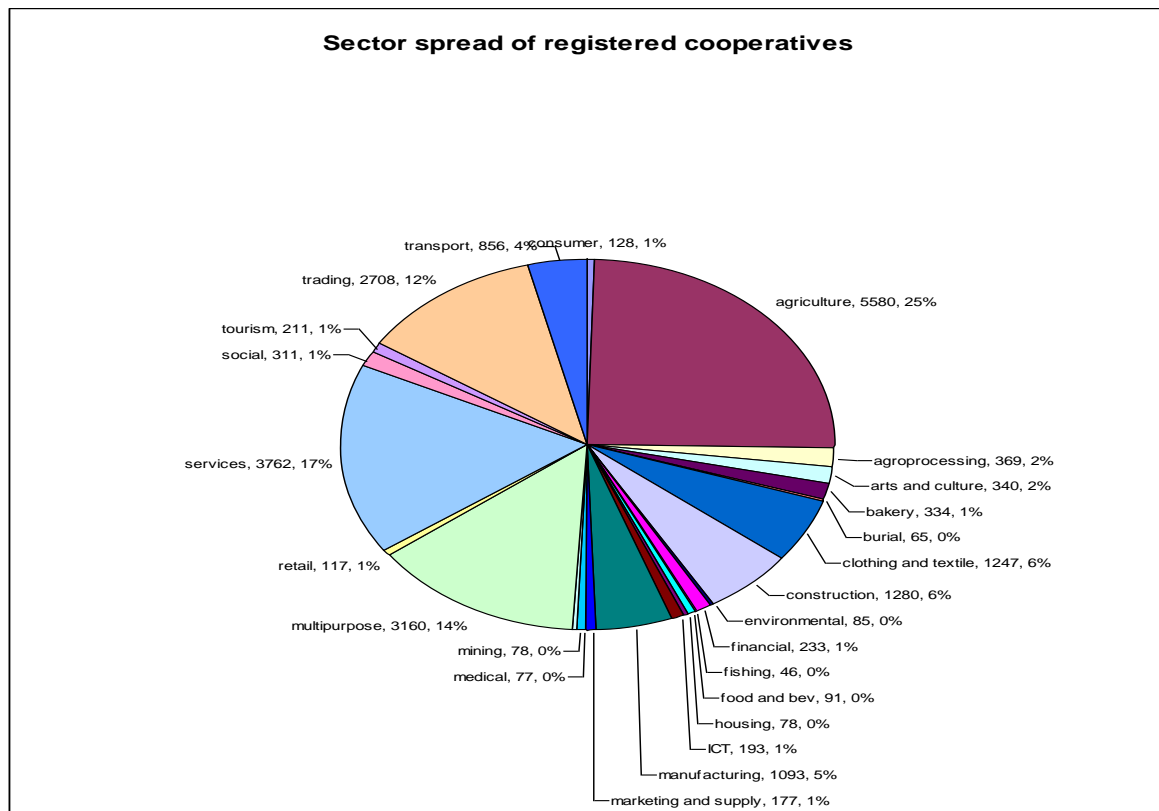
4. 3.2.1 National perspective

According to the National Co-operative Association of South Africa (NCASA, 2001) based on a study survey of 684 South African co-operatives, an estimated 60,000 co-operatives participated. Economically it was realized that the co-operative movement is still small and about 90% of members of NCASA are agricultural co-operatives. The association estimated that the aggregate turnover of the 654 cooperatives is R 1, 3 billion. However, if the largely white agricultural marketing and supply co-operatives are excluded, this figure falls to R84 million.

Figure 8 shows the sector spread of registered co-operatives in South Africa.

Agriculture still dominates the co-operatives sector (29%), followed by services (17%), and multi-purpose at 14%.

Figure 8: Sector spread of registered co-operatives in South Africa



Source: Registrar of Co-operatives, Statistics of Co-operatives in South Africa (1922-2010)

South Africa has been characterised by the co-existence of a dual co-operative movement with highly developed white-owned co-operatives and weak black-owned co-operatives. However, the concept of co-operation has played a role in the lives of many South Africans, even with a lack of formal support. With the shift in the mandate for co-operative development from the National Department of Agriculture (NDA) to the Department of Trade and Industry (DTI), it was realised that co-operatives need to be promoted in all sectors of the economy, hence the amendment of the 1981 Co-operatives Act and the development of the first explicit policy for co-operatives in South Africa (DTI, 2004).

According to Willams and Satgar (2008), the history of the co-operative development in South Africa is linked to, and was shaped by the history of colonial and apartheid planning and organisation in society and the economy. The 1986 discovery of the biggest gold deposits in the world on the Rand led to a quickly growing urban population. This created a huge market for agricultural produce. The first cooperative to be formally established was the Pietermaritzburg Consumers Co-operative which was registered in 1892 under the then

Companies Act. It was followed by the National Co-operative Dairies Limited in the early 1900 (Van Niekerk, 1998: cited by Jara and Satgar). During the apartheid era, white farmer co-operatives were used as important instruments of agricultural commercialisation and successful rural development. Amin and Bernstein (1995) show that at their peak in the 1980s, the 250 or so white agricultural co-operatives had a membership of 142,000, total assets of some R12.7 billion, total turnover of some R22. 5 billion and annual pre-tax profits of more than R500 millions. In addition, agricultural cooperatives handled all exports of citrus and deciduous fruit, handled and processed the entire wool clip, marketed 90% of the chemicals and a significant proportion of the machinery and implements used by white farmers. They also provided 25% of credit used by white farmers (Ibid). In addition the authors argued that the success of today's commercial agriculture was built on a century of state support, state-controlled and regulated marketing, subsidies and incentives which went together with land dispossession and the exploitation of, and social control over, cheap black labour. Co-operatives were central in this system. Notwithstanding the problems and inefficiencies of apartheid-era agricultural policy and its related systems, the relatively successful experience of white agricultural co-operatives testifies to the importance of the state in creating an environment conducive for the development of co-operatives. This system ended with the demise of apartheid in 1994 and the new legal framework which liberalised and deregulated agricultural marketing, land reform and other aspects of agricultural policy.

According to DTI (2011: 34, cited in The Limpopo Integrated Co-operative Strategy, 2012: 20), 2766 new co-operatives were registered during 2004, representing a 66% growth rate in number, bringing the total from 1444 to 4210. According to the CIPC register (1922-2010), 199 550 new co-operatives were registered from 2005 to 2009 in various sectors, representing a growth rate of 86%. The main reason that can be attributed to this boom is that of an enabling environment through legislation, support measures and procurement from all spheres of government. Unlike the previous legislation, the new legislation promotes co-operatives across all sectors of the economy. For the first time, other co-operatives in other sectors like arts and craft, mining, construction, manufacturing and services have surfaced. Support for co-operatives has also become available from most enterprise development agencies, albeit at a lower base.

According to the SACP (1998), in South Africa today there are broadly four kinds of experiences or types of co-operatives. The first one exists in white "organised agriculture". Essentially 250 agricultural co-operatives exist within the white organised agricultural sector

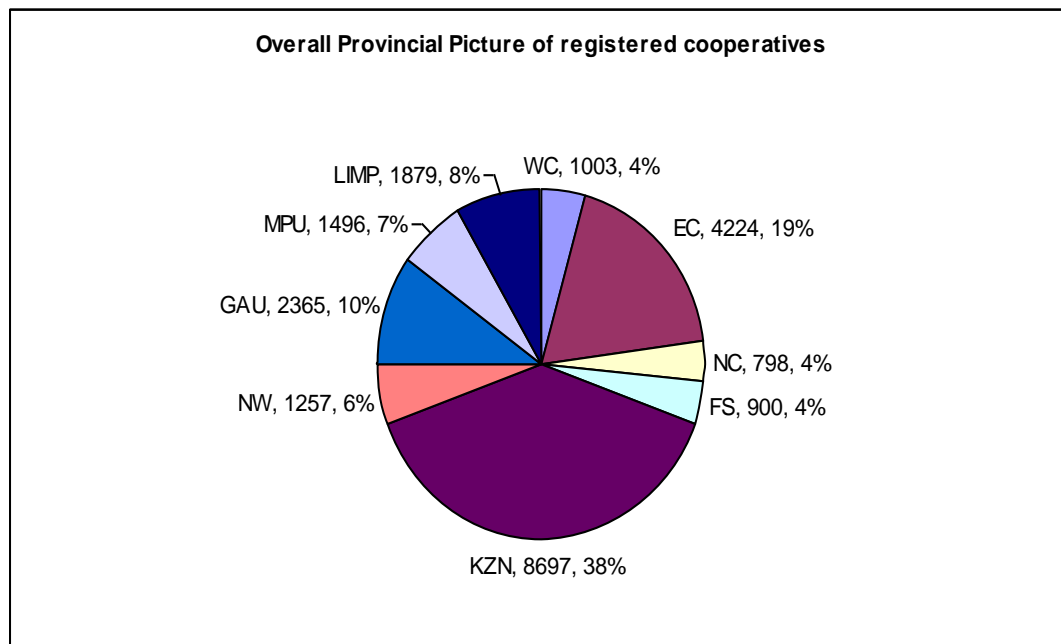
with about 142 000 members, total assets of some R12, 7 billion, total turnover of some R22, 5 billion and annual pre-tax profits on more than R500 million. Agricultural co-operatives handle all exports of citrus and deciduous fruits, handle and/ or process the entire wool clip, and market 90% of dried fruits. The second type of co-op is one practised in the former Bantustan system. However, most of these co-operatives merely existed on paper, or were tightly controlled by the Bantustans' bureaucratic ruling elite and thus never really made a significant economic impact and quickly collapsed with the end of the apartheid regime. Though statistics are unreliable, the LAPC estimates that there are about 214 such co-operatives still in existence. The third type of co-operative is those owned and controlled by democratic trade unions. Examples of these are the NUMSA co-op in Howick established in 1985 and NUM co-ops. The emergence of these co-ops has largely been a response to retrenchments and loss of jobs. The fourth type is made up of a variety of thousands of stokvels, burial societies and co-operative taxi ventures like in KZN and church-linked co-operatives. In addition there are a number of emerging co-operatives on the housing front. Together with the union co-operatives, these provide a fertile ground and foundation for building a strong and progressive co-operative movement in South Africa (SACP 10th Party Congress, 1998).

It was concluded that the most important lesson to be learnt from these experiences is that apart from the need for sustained mobilisation of people, the attitude of, and resources provided by, the state is one critical component in the success or failure of co-operatives. It is for this reason that the government and its partnerships put emphasis on non-dependency projects.

4.3.2.2 Provincial spread

Over half of the population of all provinces with the exception of the Western Cape and Gauteng are estimated to live in poverty, constituting between 45% and 55% of the population (Taylor Commission, cited by Theron, 2007). The poorest provinces are Limpopo and the Eastern Cape, where on average three out of every four persons live in poverty. The increased prevalence of co-operatives in these two provinces, Limpopo and Eastern Cape, strongly suggests that the formation of co-operatives is a response to poverty (Develtere et al., 2008).

Figure 9: Overall provincial picture of registered co-operatives



Source: Registrar of Co-operatives, Statistics of Co-operatives in South Africa (1922-2010)

The total number of co-operatives in existence by March 2010 was 31,898. The majority of registered co-operatives are KwaZulu-Natal (KZN) at 38%, followed by the Eastern Cape at 19%, while Gauteng's figure stands at 10%, Limpopo 8%, Mpumalanga 7%, North West 6% and lastly the Free State, Northern Cape and Western Cape at 4% each. This could be attributed to, among other dynamics, the availability of support measures, as well as procurement opportunities for co-operatives in the leading provinces. KZN has managed to achieve high levels of performance in terms of new co-operative entrants and demonstrates best practice on how to successfully increase the number of co-operatives within the country. This best practice requires closer examination, in terms of emulating lessons through the country (DTI, 2012). In KZN, there is a strong political commitment from the provincial leadership to effectively promote co-operatives. To ensure access to markets, there is a strong emphasis on procurement opportunities for co-operatives across provincial departments. Local government has also been brought in to provide business infrastructure support but this is still at an infancy stage (Ibid).

While the KZN government's approach to ensure state support to co-operatives is well intentioned this does not enable but instead instrumentalises co-operatives as part of a state-led development agenda. The co-operatives are not developed in accordance with member

needs and capacities but in terms of government's objectives. This is dangerous because it does not cultivate the autonomous and independent impulses within the co-operatives for sustainability. The worst part is that, the development of thousands of co-operatives per annum, all initiated by and dependent on government, exposes co-operatives to the risk of failure and hence being discredited. The challenge for government is to find a balance between ensuring it provides strategic enabling support while co-operatives are initiated around opportunities identified by aspirant co-operators (a women's group, youth groups, workers in trade unions, community groups and so on) rooted in their own organic impulse of collective effort and solidarity. Moreover, if there are opportunities through government policy then government has to ensure a clear exit strategy which should include as a precondition that the co-operative is sufficiently diversified, through its own effort, to survive beyond a government tender for example (Stagar, 2007).

The DTI (2012) also states that, while the KZN model has proven to be successful in terms of new entrants, there are nevertheless some challenges that confront this model. These challenges, among others, include poor debt repayment rates from co-operatives to Ithala Bank, which are threatening to undermine the loan book, conflict among members of co-operatives, threatening to undermine the sustainability of co-operatives in the province, lack of procurement opportunities from local government for co-operatives, lack of compliance by co-operatives with the co-operatives Act and hostility from mainstream business, in the form of overpricing of raw material and denial of access to markets for co-operatives. This also calls for the model to be further refined, but nonetheless, some valuable lessons can be drawn from it.

4.4. Co-operatives in INK/ABM

Figure 10: Map of Inanda, Ntuzuma and KwaMashu (eThekweni Municipality)



SOURCE: eThekweni Spatial Development Framework, 2008

After a four month learning journey in INK/ABM where the researcher was facilitating the community projects, helping groups in writing the proposals for different projects, monitoring their groups' discussion and evaluating the progress, he discovered the economic difficulties faced by the communities of INK.

According to the Department of Provincial and Local Government (cited by Dlamini and Mbonambi, 2010), the Development, Planning, Environment and Management Unit, INK Urban Renewal/ABM Programme, eThekweni Municipality, INK falls within the urban edge

and the city of Durban has expressed a clear intention to prioritise the development of infrastructure within the urban edge. The municipality has undertaken to maintain the edge in its current position for five to 10 years. The city has identified the R102 investment corridor on the north coast in response to private-sector development needs, with Umhlanga as a major high-order node. KwaMashu Town Centre and Bridge City were identified by the eThekweni special development framework as secondary nodes that provide social support and opportunity for private investment. Given its status as one of five ABM areas in the city, and its proximity to Umhlanga and the northern development corridor, the further integration of INK into greater Durban is a feature of the metro's northern spatial plan.

The researcher discovered that besides the infrastructure development, developments such as construction of new schools, a youth centre for training or workshops and an awareness campaign for community-based organisations were not given enough attention, reason being that some people owned small pieces of land. These people wanted to form small farm associations but they were ignored as they were seen to be self-sufficient due to the land they owned. Little has been done by the local government to support these associations. However at the time of the study, a meeting took place between five small farmer's associations (the District Farmer's Association) and the eThekweni Municipality over the issue of formalization, distribution of agricultural tools and fruit trees, election of the committee and markets for their products such as potatoes, onions, cabbages, bananas, carrots, and so forth.

Figure 11 and 12: Agricultural produce from the District Farmer's Association





Due to the difficulties faced by these associations, it was even more difficult to have a committee for the District Farmer's Association. With the help of the KZN Province and eThekweni Agricultural Department, on 18 October 2012 the organisation's committee was elected and the picture below shows the chairperson, vice-chairperson, secretary, vice-secretary, treasurer and other additional committee members.

Figure 13: Elected management committee for the District Farmer's Association



After the committee was elected, the members of the District Farmer's Association in eThekweni Municipality showed the delegation from the KZN Department of Agriculture how far they had gone in terms of farming.

Figure 14: One of the District Farmer's Association members presents their products to the delegation from the KZN Department of Agriculture



Figure 15: The delegation from KZN Department of Agriculture appreciating the work done by the District farmer's Association



4.4.1. INK Agricultural and Multipurpose Secondary Co-operatives

INK Secondary Co-operatives were formed by member co-operatives from Inanda, Ntuzuma and KwaMashu. Co-ordinating activities commenced in June 2008 and final registration of the agricultural sector and manufacturing sector was completed on 3 March 2009 followed by the first elected structure in May 2009. This secondary co-operative's role is to manage, control, establish and administrate primary co-operatives, market member co-operatives products and services, act as a middleman and provide support with solutions to problems encountered by member co-operatives. The progress and achievements of this secondary co-operative since it was put in place in 2009 has been very slow. The only achievement attained was the registration to a legal entity with CIPRO, securing permission to utilise three vacant offices in Newtown A and permission to operate as a flea market in the KwaMashu E section.

4.5. Lessons from the case studies

The two cases studies from Kenya and INK show a big gap between them when it comes to the way in which co-operatives operate in Kenya and South Africa. Kenya has an activity-based co-operative system and the NACOs are based on specific types of activities, including banking, insurance, dairy, savings and credit, housing and coffee, among others. Currently, NACOs include the KUSCCO, CIC, KPCU, CBK, NACHU and KERUSSU. Members of these organisations are mainly co-operative unions and some primary co-operatives. In addition the CCK is considered in the co-operative movement as one of the NACOs and is a government institution which does not have member affiliates but offers services to the co-operative movement and other interested parties on a commercial basis. It qualifies more as a national co-operative institution Wanyama 2009: 8).

Within the INK co-operatives, the District Farmer's Association in eThekweni Municipality, whose domain is agriculture, is the only co-operative which operates officially in the area. Much needs to be done in INK about community-based co-operatives as the first co-operative committee was elected in October 2012. Its first products (potatoes, cabbages, carrots and onions) were at the harvesting stage when the study was coming to its completion. This, the researcher believes, is the reason why South African co-operatives, especially the INK District Farmer's Association, needs to draw lessons from the Kenyan model which has been a success and has improved many households' economic situation.

4.6. Conclusion

As seen in general, co-operatives play a vital role in the socio-economic development of poor rural villages. They create self-employment and sometimes also temporary employment. Co-operatives contribute to household livelihoods by providing some income and food for the families, including space and time for socialization.

In South Africa, since 1994, the co-operative sector has grown. The government has seen co-operative development as one of the forthcoming factors due to the uncoordinated assistance. It has become apparent that co-operatives are seen by many to be important in addressing the socio-economic challenges facing South Africa. Co-operatives are seen as strategies to create employment, reduce poverty and generate income in rural areas. It is however not only in rural areas but also all corners of the country where many households live in dire poverty. The INK area is one such good example of a community affected by high unemployment and poverty.

Even if co-operatives have been playing a huge role, there are still many challenges within the movement. Some of the challenges include lack of access to finance/credit, lack of knowledge about co-operatives, lack of access to markets, lack of access to land and lack of business skills and infrastructure development. Due to these challenges, the government has mandated some state departments and parastatals to provide the necessary support to co-operatives which results in government supported co-operatives to be top down (COPAC, 2009 and Philip, 2003).

Interesting outcomes of the case of the INK/ABM area is that while the INK Agricultural and Multipurpose Secondary Co-operatives have been in existence for some time, very little has been done, hence the unification of the five associations from the District Farmer's Association in the eThekweni Municipality as a strategy to improve their households' socio-economic situation. Also due to the lack of knowledge of co-operatives, division and conflict of ownerships were dominant among members of the co-operatives. According to the interviews conducted in INK, it was noted that gender disparity, attitude between members, lack of leadership and organisation skills and relationship/partnership with government, were among the difficulties facing co-operatives in INK. The main reason for failure was individualism in the INK area; lack of knowledge on what can be the right way of alleviating

poverty, as the majority of the INK community are not educated, and lack of local government support.

In Kenya, co-operatives are well structured and have been doing well especially the COBK and the CCK which offer the co-operative associations a huge support when it comes to skills development and credit. The students from the college do their internship all over the country with co-operative associations. The KERUSSU have played a pivotal role in helping co-operatives with loans and credits to sustain their activities. The unified model of co-operatives in Kenya, which comprises confederation, federation, co-operative local unions (secondary co-operatives) and primary cooperatives, has demonstrated strong unity between co-operatives. The activity-based co-operative system and national co-operative organisations are based on specific types of activities to make sure there is no conflict of interest between members.

Evidence from the Kenyan agricultural co-operatives can be replicated in other developing countries like South Africa to eradicate failures in the co-operative sector and ensure that they flourish and succeed.

It is also very important to mention that the unity among the co-operative members and government support are the key points of the success of co-operatives in Kenya which other countries do not have.

Source: Registrar of Co-operatives, Statistics of Co-operatives in South Africa (1922-2010)

The total number of co-operatives in existence by March 2010 was 31,898. The majority of registered co-operatives are KwaZulu-Natal (KZN) at 38%, followed by the Eastern Cape at 19%, while Gauteng's figure stands at 10%, Limpopo 8%, Mpumalanga 7%, North West 6% and lastly the Free State, Northern Cape and Western Cape at 4% each. This could be attributed to, among other dynamics, the availability of support measures, as well as procurement opportunities for co-operatives in the leading provinces. KZN has managed to achieve high levels of performance in terms of new co-operative entrants and demonstrates best practice on how to successfully increase the number of co-operatives within the country. This best practice requires closer examination, in terms of emulating lessons through the country (DTI, 2012). In KZN, there is a strong political commitment from the provincial leadership to effectively promote co-operatives. To ensure access to markets,

there is a strong emphasis on procurement opportunities for co-operatives across provincial departments. Local government has also been brought in to provide business infrastructure support but this is still at an infancy stage (Ibid).

While the KZN government's approach to ensure state support to co-operatives is well intentioned this does not enable but instead instrumentalises co-operatives as part of a state-led development agenda. The co-operatives are not developed in accordance with member needs and capacities but in terms of government's objectives. This is dangerous because it does not cultivate the autonomous and independent impulses within the co-operatives for sustainability. The worst part is that, the development of thousands of co-operatives per annum, all initiated by and dependent on government, exposes co-operatives to the risk of failure and hence being discredited. The challenge for government is to find a balance between ensuring it provides strategic enabling support while co-operatives are initiated around opportunities identified by aspirant co-operators (a women's group, youth groups, workers in trade unions, community groups and so on) rooted in their own organic impulse of collective effort and solidarity. Moreover, if there are opportunities through government policy then government has to ensure a clear exit strategy which should include as a precondition that the co-operative is sufficiently diversified, through its own effort, to survive beyond a government tender for example (Stagar, 2007).

The DTI (2012) also states that, while the KZN model has proven to be successful in terms of new entrants, there are nevertheless some challenges that confront this model. These challenges, among others, include poor debt repayment rates from co-operatives to Ithala Bank, which are threatening to undermine the loan book, conflict among members of co-operatives, threatening to undermine the sustainability of co-operatives in the province, lack of procurement opportunities from local government for co-operatives, lack of compliance by co-operatives with the co-operatives Act and hostility from mainstream business, in the form of overpricing of raw material and denial of access to markets for co-operatives. This also calls for the model to be further refined, but nonetheless, some valuable lessons can be drawn from it.

CHAPTER FIVE

CONCLUSION

5.1. Introduction

Poverty and illiteracy are the most serious factors which contribute to the slow growth of co-operatives in South Africa due to the socio-economic challenges facing local communities particularly in rural areas. For that reason, people are united and form co-operatives even if there is no market for their products. The reason for this is to attract government funding in order to have some finances or help to start their associations. This chapter presents the finding of the study through cases studies and offers recommendations.

5.2. Recommendations

5.2.1. Recommendations for state departments

Due to the state departments involved in co-operatives, the recommendations here will be at the municipal level as they are the closest to the community in rural areas.

The municipalities have a major role to play on behalf of government to ensure that co-operatives are provided with proper training according to the principles, values and co-operatives constitution. Municipalities must ensure that cooperatives do access information on business and skills and also they must establish relationships/partnerships with other relevant government departments, NGOs and agencies to ensure that they are receiving support and training constantly.

In this research, it is suggested that government effort must be supportive to the co-operatives rather than to form more co-operatives with unskilled, inexperienced and inactive individuals. Municipalities must put emphasis on developing humans rather than infrastructure as at the end of the day it

is the responsibility of the community to maintain their infrastructure for the sustainability of the co-operatives. Youth development through the schooling system and awareness campaigns must be the Municipalities' priority.

5.2.2. Recommendations for the co-operatives

This study concurs with the views of Mqingwana (2010: 59) who states that it is unfortunate, but understandable in poor societies, that the driving force for co-operatives is to access government funding. But a true spirit of co-operation should rather focus on the objectives of the group of people that prefer to work together to produce and market goods communally. The type of co-operative should be based on the expertise of members and be suited for the local conditions and local demand. In rural areas these may be to provide beadwork for tourists (where the area is accessible), but agriculture must be the main activity as in poor rural communities, farm producers must be the basis for pursuing group action, as food security improves livelihood.

The municipality's IDP process should include representatives from co-operatives in order to empower co-operatives. Where there are many co-operatives, the municipality may encourage co-operatives to organise themselves into interest groups which can represent co-operatives on the IDP forum to allow them to speak with one voice when they bring their concerns to the attention of the municipality and other government departments and report back to their members.

5.3 Accomplishments of research objectives

The research had two objectives as stated below, and the accomplishment is the following:

To investigate the impact of agricultural and multipurpose secondary co-operatives within the INK area of the eThekweni Municipality, in KwaZulu-Natal Province.

The study found that agricultural associations in the INK area have been doing well but have faced a lot of challenges as discussed in the previous chapters. It is thus important that agricultural products shown in the pictures in chapter four, need not only financial support to market them, but that land should be made available, including skills development in management to eliminate dependency from government grants.

As the pictures from the District Farmer's Association in the eThekweni Municipality have shown in this study, the District Farmer's Association in the eThekweni Municipality has proven that agricultural co-operatives in INK can improve the socio-economic status of many households if only the co-operatives policies and principles can be applied to the co-

operatives in INK, and lessons from other successful co-operatives have to be learned for the sustainability of their co-operatives.

To draw lessons from the Kenyan model so as to improve the functioning of the co-operatives in INK. This objective was fully explored by the researcher and it was seen that the co-operative model in Kenya can be applicable to any rural area in other African countries as long as co-operatives' members are fully committed to the co-operatives' activities.

The following are the lessons learnt from Kenya:

In Kenya, there is a five year Kenya Co-operative Development Programme (CDP) which works with select farm co-operative members to improve the productivity and competitiveness of key agricultural sectors to improve farmers' incomes and ensure greater food security in the region. The main activities include farmer training and coaching on technical assistance and strategic management prior to co-operative experience in Kenya. The CDP also establishes co-operative learning information centres to ensure that Kenyan co-operatives continue to benefit from distance learning and sharing of best practice materials even after the project ends. It also draws on the expertise of a range of international and local partners to implement comprehensive market-driven approaches to improve agricultural productivity such as strategic collaboration with the Overseas Co-operative Development Council, support from the Kenya Ministry of Co-operatives and Marketing, the Co-operative College of Kenya, Alliance with Communications Co-operative International to develop new distance learning systems, support from Agri and Co-operative training and Consultancy Services Ltd. for co-operative member activities, learning documentation and monitoring and evaluation activities, and working together with the Co-operative Alliance of Kenya to strengthen farmers' voices through farmer representation in national and international fora.

Monitoring and evaluation: The selected co-operatives also undergo continual assessment, which focuses on management, membership and money. The assessment includes: checklist question for qualitative results in each category, qualitative responses to probing questions and guided co-operative self-evaluation to identify short-and long-term goals of the co-operative.

5.4. Conclusion

In conclusion, this study was conducted in Inanda, Ntuzuma and KwaMashu (INK) agricultural co-operatives which are in the eThekweni municipality. The findings show that co-operatives in INK may impact positively on the socio-economic status of rural people and other low income areas as long as cooperative principles are respected. The findings also show that for the co-operatives in INK to be sustainable, government intervention is needed. This intervention does not only include financial support but also education to the members of co-operatives as the majority of them are illiterate.

Currently, co-operatives in the area do not contribute much. However it is recommended that South Africa co-operatives should draw lessons from the Kenyan co-operatives. Co-operatives in INK may contribute towards employment creation, growth of the GDP, income generation as well as better living conditions of the INK community as a whole.

In order for the co-operatives in INK to reach their objectives to alleviate poverty and in job creation, there is a need for targeted intervention such as the creation of captive markets through a preferential tendering system and for co-operatives to provide employment and create sustainable incomes through the consistent production of goods which assist co-operatives to move away from dependency from government, like in Kenya.

REFERENCES

Adaptive Research Notes no.3. (2004). www.shef.ac.uk.

Ahwireng-Obeng, F. (2004). "Alternatives in Rural Production System: An Entrepreneurial Approach to Production Co-operatives in a Developing Economy." 21 Agricultural Administration. Mashabalala, N. (Ed.). The Economic and Social Importance of Co-operatives in South Africa, Pp.21-32. University of the Witwatersrand.

Amin, N. & Bernstein, H. (1995). "The role of agricultural cooperatives in agricultural and rural development." Land and Agriculture Policy Centre, policy paper 32.

Apthorpe, R. (1970). Rural Cooperatives and planned Change in Africa: Case Material. In Develtere, P., Pollet, I. & Wanyama, F. (eds.). Cooperative Out of Poverty: The Renaissance of the African Cooperative Movement. ILO, Genève.

Apthorpe, R. (1972). Rural Cooperatives and planned Change in Africa: An Analytical Overview. In Develtere, P., Pollet, I. & Wanyama, F. (eds.). Cooperative Out of Poverty: The Renaissance of the African Cooperative Movement. ILO, Genève.

Ashley, C. & Carney, D. (1999). Sustainable livelihoods: Lessons from early Experience, DFID.

Attwood, D.W. & Baviskar, B.S. (1988). Who shares? Co-operatives and rural development. Oxford University Press: Delhi.

Babbie, E. & Mouton, J. (2001). The practice of social research. Cape Town: Oxford University Press South Africa.

Bendick, M. & Egan, M.L. (1995). "Worker Ownership and Participation Enhances Economic Development in Low-Opportunity Communities". Journal of Community Practice, 2(1), 61-85.

Birchall, J. (2003). "Poverty reduction through self-help: Rediscovering the co-operative advantage". International Labour Organization, Geneva.

Birchall, J. (2004). Co-operatives and Millennium development Goals. International Labour Organization, Geneva.

- Birchall, J & Simmon, R. (2006a). The role of co-operatives in poverty reduction: Proceedings of Social Policy association conference. Birmingham, UK.
- Bless, C. & Higson- Smith, C. (1995). Sampling in Social Research Method.
- Brennan, M.A & Luloff, A.E. 2005. "A Cooperative Approach to Rural Development in Ireland: Cultural Artefacts and the Irish Diaspora as an Example." *Journal of International Agricultural and Extension Education*, 12(1), 15-25.
- Bond, P. (2002). "Local Economic Development Debates in South Africa." Occasional Papers' Series, no. 6. Municipal Services Project. Available from www.queensu.ca. (Accessed 1 May 2010).
- Carney, D. (1998a). Implementing the Sustainable Rural Livelihoods Approach. Department for International Development. London.
- Carney, D. (Ed.). (1998b). Sustainable rural livelihoods: What contribution can we make? London: DFID.
- Cawley, M.S., Gaffey, D. & Gilmore, P. (1999). "The Role of Quality Tourism and Craft SMEs in Rural Development: Evidence from the Republic of Ireland." *Anatolia: An International Journal of Tourism and Hospitality Research*, 10(1), 45-60.
- Chambers, R & Conway, G. (1992). Sustainable rural livelihoods: Practical concepts for the 21st century. IDS Discussion Paper 296. Brighton: IDS.
- Chaudhry, S. & Crick, D. (2005). "An exploratory investigation into the entrepreneurial activities of Asian owned franchises in the UK". *Strategic Change*, 14,349-356.
- Co-operative Bank of Kenya. (2012). "2011 Annual Report and Financial statement". Available from <http://www.co-opbank.co.ke/index.php/about-us/annual-report>. (Accessed on Co-operatives and Policy Alternative Centre. (2008). Rebuilding South African Cooperative Movements From Below As A Movement-of-Movements. Available from www.copac.org.za. (Accessed November 2012).
- COSATU. (1998). Building co-operatives as a concrete expression of building people's power in the economy. Accessed from <http://www.sacp.org.za/docs/docs/2002/co-ops.html>. (Accessed 16 November 2012).

- COSATU. (2001). COSATU submission on the Draft Co-operatives Bill. Submitted to the Department of Agriculture on 30 March [online]. Available from <http://www.cosatu.org.za/docs/2001/copopsbil.htm#defining>. (Accessed on 15 May 2010).
- Costantinos, B. T. (1998). "An overview of Development Theories". The Centre for human Environment, Addis Ababa, Ethiopia.
- David, M. & Sutton, C.L. (2004). Social Research: the basics. London: Sage.
- Department of Provincial and Local Government and Business Trust. (2007). Inanda, Ntuzuma, KwaMashu (INK) Nodal Economic Development Profile. KwaZulu-Natal.
- Department of Trade and Industry. (2012). Integrated Strategy on the Development and Promotion of Cooperatives: Promoting an Integrated Co-operatives sector in South Africa (2012-2020).
- Department of Trade and Industry, South Africa. (2004). "A Co-operative Development Policy for South Africa".
- Department of Trade and Industry Draft on Co-operative Policy Document. (2003). A co-operative Development Policy for South Africa. Pretoria: South Africa.
- Descombe, M. (2007). The Good Research Guide for Small-Scale Social Research Projects. 3rd edition. England: Open University Press.
- De Vos, A.S. (Ed.). (2003). Research at Grassroots: For the social science and service professions. Pretoria: Van Schaik.
- Develtere, P. (2008). Cooperative Development in Africa up to the 1990s. In Develtere, P., Pollet, I. & Wanyama. F. (Eds.). Cooperating Out of Poverty: The renaissance of the African Cooperative Movement. Geneva, International Labour Office. World Bank Institute.
- Fals-Borda, O., Apthorpe, R. & Inayatullah. INITIAL?. (1976). 'The Crisis of rural Cooperatives: Problems in Africa, Asia and Latin America'. In Nash, J., Dandler. J. & Hopkins, N. S. Popular Participation in Social Change. Mouton Publishers, The Hague/Paris, pp.439-456.

- Fitz, G.P., McLennan, A & Munslow, B. (Eds.). (1997). *Managing sustainable development in South Africa*. Cape Town: Oxford University Press Southern Africa.
- Food and Agriculture and Organization (FAO), International Fund for Agricultural Development (IFAD) and World Food Programme (WFP). (2011). *Agricultural cooperatives are key to reducing hunger and poverty: Cooperatives offer opportunities that smallholders could not achieve individually*. Rome.
- Food and Agriculture Organization (FAO). (2012). *Agricultural Cooperatives: Key to feeding the world. What is a Cooperative? World food day*. (Accessed November 2012).
- Frederic, K.O., Wanyama, Patrick. D. & Ignace, P. (2009). *Reinventing the wheel? African cooperatives in a liberalized economic environment*. International Labour Office – Dar es Salaam. 1v. Coop AFRICA working paper, no. 1.
- Gicheru, E., Mingwi, W. & M’Imanyara, K. (2011). “New opportunities for co-operatives: Shared Leadership and Membership Communities”. *An Analysis of Socio-Economic Impact of New integrated national transport Policy; The Case of 14-Seat Transport SACCOs in Kenya*. ICA Global Research Conference, Mikkeli. Finland.
- Ghai, D. P. (1977). *What is the basic Needs Approach to Development All About?* In Ghai, D.P. et al., *The Basic Needs Approach to Development*. Geneva: ILO.
- Hannie, S. & De Beer, F. (1996). *‘Community capacity building’: A guide for fieldworkers and community leaders*. Cape Town: Oxford University Press.
- Hans, H. (1990). “State, Cooperatives and Development in Africa.” *Scandinavian Institute of African Studies*.
- Harper, M. (1992). *Their Own Idea: Lessons from workers’ co-operatives*. London: Intermediate Technology Publications.
- Holmén, H. (1990). *State, Co-operatives and Development in Africa*. The Scandinavian Institute of African Studies, Uppsala.

- Hyden, G. (1973). Efficiency versus distribution in Eastern Africa cooperatives. Nairobi: East African Literature Bureau.
- Institute of Food and Agricultural Sciences (IFAS). (2009). IFAS Community Development: Cooperatives as Tools for Community and Economic Development in Florida. Retrieved from <http://edis.ifas.ufl.edu/fy728>. (Accessed on 4 January 2011).
- International Monetary Fund. (2007). Kenya: Poverty reduction Strategy annual Progress Report-2004/2005. IMF Country report No. 07/159, International Monetary Fund. Washington, D.C.
- International Labour Organization. (2009). Cooperative facilities for Africa: Kenya National Federation of cooperatives.
- Jeppe, W. J. O. (1985). Community Development: an African rural approach. Heer Printers. The African Institute of South Africa, Pretoria.
- Jodahl, T. (2003). "Consumer Co-operatives in Norway." Review of International Co-operation, 96(1), 9-16.
- Johnson, R. B. & Onwuegbuzie, A. J. (2004). Mixed methods research: A research paradigm whose time has come. Educational researcher, 33, 14-26. Also available online at <http://aera.net/publications/?id=338>.
- Johnson, R. B. & Christensen, L. B. (2011). Educational research: quantitative, qualitative, and mixed approaches. California: Sage.
- Jorgensen, D.L. (1989). Participation Observation: A Methodology for Human Studies. Applied Social Research Methods Series, Volume 15. London: Sage.
- Jürgen, S. (2011). Capacity building for Africa's Cooperatives and Social economy organizations: A contribution to the Export Group Meeting Cooperatives in Social Development: beyond 2012.
- Kanyane, M. H. (2009). "Co-operatives as part of social security mainstream for poverty alleviation in selected municipalities". University of Fort Hare. Department of Public Administration, 44(4).

- Kumar, R. (1999). *Research methodology: a step-by-Step for beginners*. London: Sage.
- Lasse, K. (2001). "The Sustainable Livelihood approach to Poverty reduction: An Introduction". Swedish International Development Cooperation Agency. Division for Policy and Socio-Economic Analysis.
- Ledwith, M. (2005). *Community development: A critical approach*. Bristol: Policy Press.
- Limpopo Provincial Government. (2012). *Limpopo Integrated Co-operative Strategy*.
- Luloff, A.E. & Bridger, J. (2003). "Community Agency and Local Development," pp. 203-213. *Challenges for Rural America in the Twenty-First Century*. Brown, D. & Swanson L. (Eds.). University Park, PA: Pennsylvania State University Press.
- Mashabala, N. (2004). *The Economic and Social importance of co-operatives in South Africa*. Graduate School of public development and Management, University of the Witwatersrand.
- Maser, C. (1997). *Sustainable Community development: principles and concepts*. Delray Beach, Florida: St Lucie Press.
- Mathie, A. & Cunningham, G. (2003). "From Clients to Citizens: Asset-Based Community Development as a Strategy for Community-driven Development". *Development in Practice*. Vol, 12. 5.
- Mazibuko, K. J. & Satgar, V. (2008). *International Cooperative Experiences and Lessons for the Eastern Cape Cooperative Development Strategy: A Literature Review*. ECSECC Working Paper Series No.5. Cooperative and Policy Alternative Centre.
- Mbeki, T. (1999). *The Integrated Sustainable Rural development Strategy*. Cape Town. Retrieved from <http://www.landbank.co.za/infocentre/Documents/isrds1.pdf>. (Accessed on 15 October 2010).
- McCracken, J. & Pretty, J. (1990). *Glossary of terms in Sustainable Agriculture*. IIED Gatekeeper Series No. London.
- McIntosh, X. and Associates. (2007). *Area Based Management and Development Programme eThekweni*. Case study: Citizen activation and employment.

Minister for Agriculture and Land Affairs in South Africa: 24 February 2009.

Ministry of Cooperative Development & Marketing. (2008). Cooperative Development Policy, 2008. Nairobi.

Mqingwana, C. B. (2010). The Role of Co-operatives in the socio-economic development of Dutywa villages. Masters of Arts thesis, Development Studies. The Nelson Mandela Metropolitan University.

Münkner, H. H. (1989). Comparative Study of Co-operative Law in Africa. Marburg Consult, Marburg.

Mudibo E. K. (2005). Report on Corporate Governance in Co-operatives: the East Africa Experience. 3rd Pan- African Consultative Forum on Corporate Governance. Dakar, 8 to 10 November 2005. (Accessed in July 2012).

Munslow, B., Fitzgerald, P. & McLennan, A. (1997). 'Sustainable development: Visions and realities'. In Fitzgerald et al., 1997.

National Cooperative Business Association (NCBA). (2011). Co-op Type. Retrieved from www.ncba.coop/ncba/about-co-ops/co-op-types. (Accessed in May 2011).

National Cooperative Association of South Africa (NCASA). (2001). Cooperative baseline: Cooperatives in the Eastern Cape: Struggling for Survival and Sustainability. Department of Economic Development and Environmental Affairs and the Eastern Cape socio-economic consultative council. Retrieved from www.imvaba.co.za/.../1323700251_EC%20Co-. (Accessed in July 2011).

Neefjes, K. (2000). Environments and Livelihoods Strategies for Sustainability. Oxford, England.

Ngumo, M. (2010). The Co-operative Movement in Kenya: the eagle that won't fly. Retrieved from www.fao.org/docrep/003/x3138e/x3138e05.htm. (Accessed in May 2011).

Overseas Cooperative Development Council (OCDC). (2010). Conference delves into opportunities and challenges for using cooperatives as tools for international development. Retrieved from

http://www.ocdc.coop/OCDC/documents/nr_ocdc_conference.pdf. (Accessed on 4 January 2011).

Overseas Development Institute (ODI). (1999). Rural livelihood diversity in developing countries: Evidence and policy implications. Natural resource perspectives number 40.

Oliver, M.P. & Kalula, E.R. (2004). "Social Protection in SADC: Developing an Integrated and inclusive Framework." RAU, CICLASS and UCT, Institute and Social Security Law.

Olivier, M.P. & Kalula, E.R. (Eds.). (2004). Social protection in SADC. Proceedings of Developing an Integrated and Inclusive Framework for Social Protection in SADC. Johannesburg, RAU and UCT, 1-231.

Ouma, S.J. (1990). 21 Essays on co-operation and development in Kenya. Shirikon Publishers. Kenya, Nairobi.

Philip, K., Rono. INITIAL? & Abdillahi, A. Aboud.(1999). The impact of Socio-economic factors on the performance of community in projects in Western Kenya. German Academic Exchange Programme, the Regional Office for Africa. Nairobi, Kenya.

Philip, K. (2003). Co-operatives in South Africa: Their Role in Job Creation and Poverty Reduction. South African Foundation.

Phillips, R. (2004). "Artful Business: Using the Arts for Community Economic Development." Community Development Journal, 39(2), 112-22.

Pollet, I. (2009). Cooperatives in Africa: The age of reconstruction-synthesis of a survey in nine African countries. Series on the status of cooperative development in Africa, CoopAFRICA Working Paper No.7. International Labour Office, Office for Kenya, Somalia, Tanzania and Uganda, Dar es Salaam.

Republic of Kenya. (2010). Ministry of Co-operative Development and marketing. Annual Report.

- Republic of Kenya. (2009). Ministry of Co-operative Development and marketing. Census on co-operatives.
- Republic of Kenya. (2007). “Medium Term Expenditure Framework 2007/2008-2009/2010”. Report for the Agriculture and Rural Development (ARD) sector.
- Republic of Kenya. (2004). The Co-operative Societies (Amendment) Act, 2004, Nairobi, Government Printer.
- Republic of South Africa. (2004). Co-operatives Development Strategy (2004-2014).
- Republic of South Africa: The Eastern Cape Provincial Government (ECPG). (2010). Report on the provincial co-operatives Indaba “Unleashing Economic Potential through Co-operatives”. East London, South Africa. Retrieved from www.imvaba.co.za. (Accessed in November 2012).
- Republic of South Africa. (2007). Department of Provincial and local Government: Inanda, Ntuzuma, KwaMashu (INK) Nodal Economic Development Profile. KwaZulu-Natal.
- Robinson, J. (1993). The Co-operative organization: consider the benefits for your community’s development aspirations: Registry of Co-operatives and Associations-Department of Commerce. New South Wales, Australia.
- SACP. (2002). Experiences and Challenges for Co-operative Development. Retrieved from <http://www.sacp.org.za>. (Accessed on 15 May 2010).
- Samson, O. Gunga. (2008). “The cooperative movement in Kenya and its potential for enhancement of ICT livelihoods”. The Pan-Commonwealth Forum on Open Learning (PCF5). London.
- Satgar, V. (2007). “The State of the South African Cooperative Sector”. Cooperative and policy Alternative Centre. Retrieved from [http:// www.copac.org.za/files/State of Coop Sector. Pdf](http://www.copac.org.za/files/State_of_Coop_Sector.Pdf). (Accessed on 2 June 2012).
- Satgar, V. & Williams, M. (2008). The passion of the people: Successful Cooperative Experiences in Africa. Cooperative and Policy Alternative Centre (COPAC).

- Schrijvers, J. (1995). "Participation and power: A Transformative Feminist Research Perspective." In Nelson, N. & Wright, S. (Eds.). *Power and Participatory Development*. London: Intermediate Technology Publications.
- Schwettmann, J. (2011). *Capacity building for Africa's cooperatives and social economy organization. A contribution to the expert group meeting. Cooperatives in social development: beyond 2012*. Ulaanbaatar, Mongolia.
- Singh, J. S. (1977). "A new international economic order: Towards a faire distribution of the world's resources". New York: Preager.
- Shenxane, T. (2003). Putting co-operatives to work in South Africa, 1(3), pp. 2-3.
- Scoones, I. (1998). *Sustainable rural livelihoods: A framework for analysis*. University of Sussex. Institute of Development Studies.
- Simmons, R. & Birchall, J. (2008). 'The Role of Co-operatives in Poverty Reduction: Network Perspectives'. *Journal of Socio-Economics*, 37(6), pp.2131-2140.
- Sithole, P.M. (2007). "From Shepstone to Mufamadi: the community as an object of Government Local Systems." In Ikamva: *International Journal of Social Sciences and Humanities*, Vol.1, 2.
- South African National Department of Agriculture. (2000). *What is Cooperative? Book one*. Pretoria: Consortium Publishers.
- Streeeten, P. (1980). *Basic Needs And Human Rights, World Development*, VIII, 2: 107-111.
- TGSL Report. (2003). *Report on the Scoping Study of Agricultural and Trading Co-operatives: Capricorn and Bohlabela Districts of Limpopo Province. Scoping Study Report*.
- The Kenya High Commission in the United Kingdom. (2007). *Kenya is Running: Creating prosperity through innovation*.
- Theron, J. (2008). "Cooperatives in South Africa: A moment (re-emerging)". In Develtere, P., Pollet, I. & Wanyama, F. (Eds.). *Cooperating Out of Poverty: The renaissance of the African Cooperative Movement*. Geneva, International Labour Office.

- Timothy Woods. (2010). "How can Agricultural Economists Contribute to Defining Local and Understanding the Changing Market Environment?" Symposia on The Local Food Movement: Is It Here to Stay? At the Southern Economics Association Meetings. Orlando, FL.
- Titti, V. & Singh, N. (1995). "Adaptive strategies in Arid and Semi-arid lands". IISD Resources Paper.
- Trade Invest Kenya Staff. (2008). Kenya, KZN partner to develop Co-operative College. Report accessed on 2 September, 2010.
- Twelvetrees, A. (1989). Organizing for neighbourhood development: A comparative study of community development corporations and citizen power organizations. Aldershot, England: Gower Publishing.
- Tylor, J. G. (1979). From Modernisation to Modes of Production. London: Macmillan.
- United Nations development Programme: Human Development Report. (2000). Human Rights and Human Development. Oxford University Press, USA
- United Nations Research Institute for Social Development (UNRISD). (1970). Rural Cooperatives and planned Change in Africa, UNRISD. Volume IV. Genève, 1970.
- Van Niekerk, J.A.S. (1982). A Review of the Development of Agricultural Co-operation in the Republic of South Africa. Silverton: Promedia Publications.
- Verma, S.K. (2004). "Cooperative centenary in India". New Sector Magazine, Issue No 61, April/May 2004.
- Wanyama, F. O. (2012). The Social and Solidarity Economy in African Development: The role of cooperatives. PhD. School of Development and Strategic Studies, Masemo University.
- Wanyama, F. O. (2009). "Surviving Liberalization: the cooperative Movement in Kenya". COOPAFRICA Working Paper No. 10. International Labour Organization, Dar es Salaam.

Wanyama, F. O. (2008). The Qualitative and Quantitative growth of the Cooperative Movement in Kenya. In Develtere, P., Pollet, I. & Wanyama, F. (Eds.). Cooperating Out of Poverty: The renaissance of the African Cooperative Movement. Geneva, International Labour Office.

Wanyama, F. O. (2007). The impact of liberalization on the cooperative movement in Kenya. Paper read at the first international CIRIEC social economy conference on strengthening and building communities: The social economy in a changing world. Victoria, British Columbia Canada, October 2007.

Welman, J. & Kruger, S. (2003). Research Methodology. South Africa: Oxford University Press.

Wilkinson, K.P. (1991). The Community in Rural America. New York, NY: Greenwood Press.

Word Bank. (1986). Rural Cooperatives in World Bank Assisted Projects and some Related Development Issues. World Bank, Washington, D.C.

www.cooperative.org (Accessed on 15 May 2011).

www.poverty-wellbeing.net (Accessed on 12 April 2011).

www.ifad.org (Accessed on 11 November 2011).

www.urandlandmark.org (Accessed on 19 November 2012)

APPENDICES

QUESTIONNAIRE USED FOR THE STUDY

INTERVIEWS

Members of co-operatives

1. What is your understanding of the concept “co-operative”?
.....
.....
.....
2. How long have you been a member of a cooperative?
.....
.....
.....
3. What were the reasons for you to join the cooperative movement in your area?
.....
.....
.....
4. What is the status of your co-operative? Is it functioning efficiently or not?
.....
.....
.....
5. How have co-operatives’ been improving your socio-economic situation?
.....
.....
.....
6. Given the general failure of co-operatives worldwide, what factors do you believe are necessary for the sustainability of the cooperative movement in your area?
.....
.....
.....
7. In your opinion, as a member of a cooperative, does the cooperative movement help to create employment and alleviate poverty in this country?

.....
.....
.....

Government officials

1. Within the context of the GEAR strategy, what are the most suitable economic conditions for the existence of co-operatives? Explain.
.....
.....
.....
2. Is there any role government can play in supporting the existence of co-operatives in South Africa? Explain?
.....
.....
.....
3. How sustainable is the National Cooperative Association of South Africa's support to the local co-operatives? Explain?
.....
.....
.....
4. How do 'community participation' officials deal with co-operatives? Explain?
.....
.....
.....

1. In Kenya:

Six co-operative organizations will be visited for collection of information.

1. Cooperative College of Kenya:

1. How does the college help co-operatives in the country to sustain their activities?
.....
.....
.....
2. As the college offers a range of courses (7), are the members of the co-operatives benefitting from these courses?

.....
.....
.....

3. How does the Kenyan government support the co-operative college?

.....
.....
.....

2. Cooperative Bank of Kenya:

1. As a commercial institution, how does the Co-operative Bank of Kenya support co-operative movements in the country?

.....
.....
.....

2. According to the overview, the bank has four subsidiary companies namely: Kingdom Security Limited-Nairobi, Kenya; Co-opTrust Investment Services Limited-Nairobi, Kenya; Co-operative Consultancy Services (k) Limited- and CIC Insurance Company Limited. How do these subsidiaries support the co-operative movement to make it sustainable?

.....
.....
.....

3. Do the co-operatives have easy access to the Co-operative bank? Explain.

.....
.....
.....

4. In what ways is the Kenyan government strategically involved in the Cooperative Bank? Are there any government policy documents pertaining to the functioning of the Bank? Explain?

.....
.....
.....

3. Kenya Union of Savings and Credit Co-operative Organization :

A. How does the co-operative movement benefit from the Unions' existence?

.....
.....
.....

B. Are all the co-operatives in Kenya members of KUSCCO? If not why not?

.....
.....
.....

4. Kenya Rural Savings and Credit Co-operative Union:

1. Does this organization help rural co-operatives only?

Why?.....
.....
.....

2. Do KUSCCO and KRSCCU work together to support the co-operative movement? If not what are the differences?

.....
.....
.....

3. What are some of the strategies or mechanisms that you believe have enabled Kenyan co-operatives to be the most successful co-operatives on the African continent?

.....
.....
.....